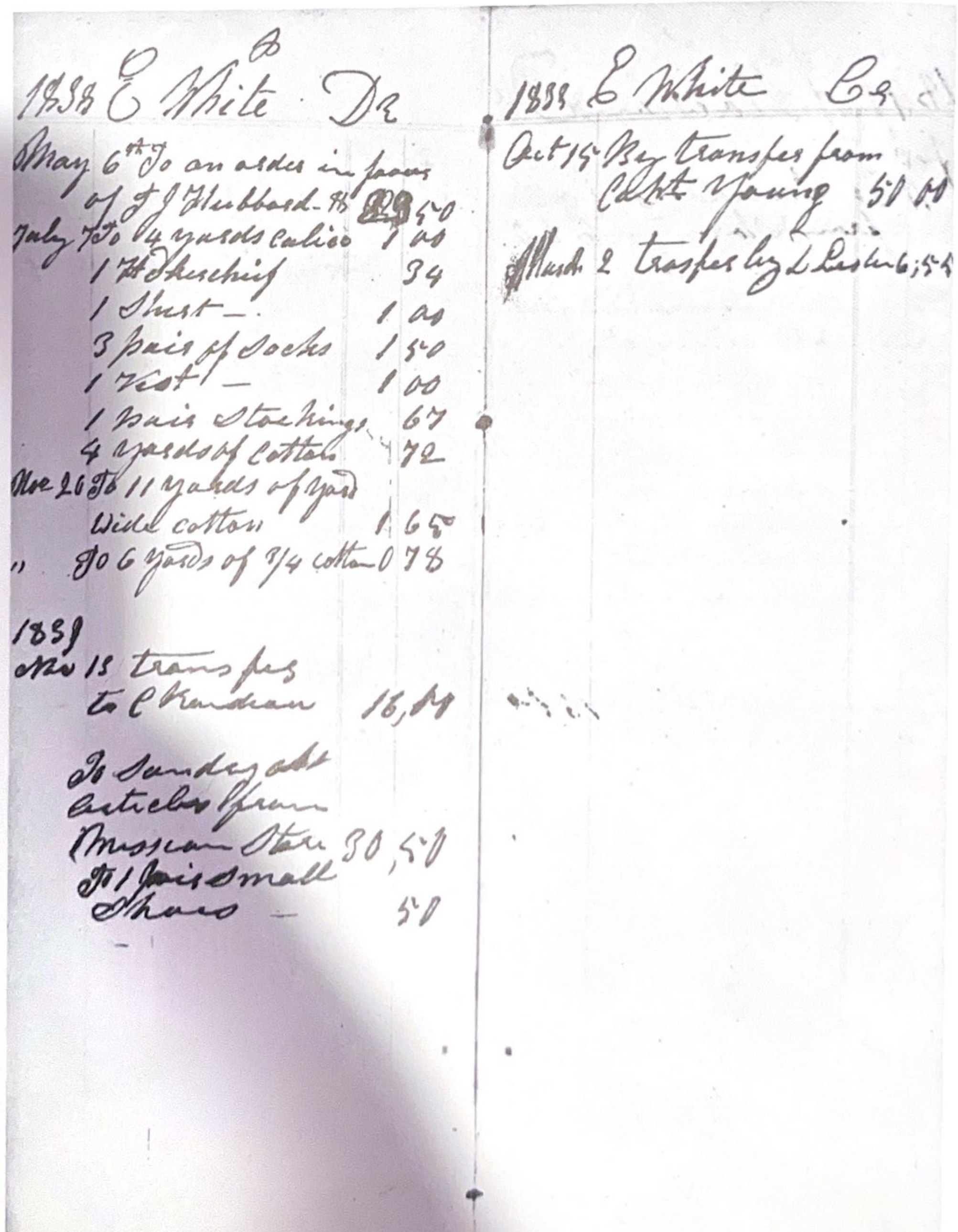
JASON LEE, MERCHANT BANKER

merchandising and financial activities of the Oregon mission store



1838 E White Dr

May 6th To an order in favour of J J Hubbard 50

July 7 To 4 yards calico 1.00

1 Handkerchief 34

1 Shirt 1.00

3 pair of socks 1.50

1 Vest 1.00

1 pair Stockings 67

4 yards of cotton 72

Nov 26 To 11 yards of yard wide cotton 1.65

" To 6 yards of 3/4 cotton 0.78

1839

Nov 13 transfer to C Roadman 16.00

To sundry old articles from Mission Store 30.50

To 1 pair small Shoes 50

1838 E White Cr

Oct 15 By transfer from C Young 50.00

March 2 transfer by L Leslie 6.55

Pages from the account book of the Oregon Mission Store. The account with E. (Elijah) White.

In the absence of organized banking institutions, pioneer merchants almost of necessity undertook many activities that are now thought of as banking.

It is not easy to formulate an adequate and accurate definition of a bank. In modern times, banking is conducted by corporations organized under the provisions of either Federal or state banking laws, and regulated either by Federal or state authority. But this is a fairly recent development. In Oregon, prior to 1925, individuals and partnerships were permitted to do a banking business, although these activities were subject to regulation by the State Banking Department after 1907. It is clear, at least in historical perspective, that we cannot limit the concept of banks and banking to corporations with the word "bank" in their names and organized under the provisions of special banking statutes.

Banks and banking must be defined in terms of function. What are the activities that constitute banking? Perhaps a bank is an agency that deals in credit; it accepts deposits (borrows money) and lends or invests the depositors' and proprietors' funds.

The activities of pioneer merchants and express companies in accepting "special deposits," i.e., pouches of cash or gold dust for safekeeping for a fee, did not constitute banking, although many banks have evolved from this sort of beginning. Many merchants eventually became bankers because they owned the most impressive safe in the community.

Indeed, it was not always necessary that a merchant own a safe. In Seattle, Mr. Dexter Horton was a respected merchant, and workers, trappers, loggers, and traders coming into Seattle acquired the habit of leaving their money with him for safekeeping, although he had neither a strong box nor a safe. The money was tied in cloth sacks or buckskin pouches and each bag was labeled with the owner's name and then hidden somewhere around the store. It is said that the coffee barrel was a favorite hiding place.[1] From this beginning evolved the present Seattle First National Bank.

In the absence of organized banking institutions, pioneer merchants

[1] From a reprint of an article in a 1957 issue of the *Western Banker*, "Early Day Banking in the State of Washington," by Joel E. Ferris, former executive vice-president, Seattle First National Bank.

almost of necessity undertook many activities that are now thought of as banking. Especially in pioneer Oregon, money was extremely scarce and, in the case of paper money, an uncertain value. In order to do business, merchants were compelled to extend credit; moreover, business men and farmers found it convenient to make payments in the form of drafts or orders on merchants. This practice was evidently so common that the 1845 Territorial Legislature was persuaded to make "orders on solvent merchants" legal tender,[2] although this was perhaps of doubtful constitutionality.

An individual or business firm planning to draw valid drafts on merchants was, of course, required to establish credit. This conceivably might have been done by the deposit of money, although this is quite improbable; if a pioneer farmer or business man had money, he had little need for drafts as a means of payment. It is possible that some merchant orders were based on credit, i.e., an individual arranged credit with the merchant and utilized this credit by drawing drafts. But this was certainly uncommon. The capital of merchants was inadequate to provide a base for this sort of activity, and, in addition, legal instrumentalities for debt collection were lacking or imperfect.

The common and accepted basis for "orders on solvent merchants" was the deposit of wheat of specified quality in the warehouses of designated merchants. The territorial legislation of 1845 was intended as a device for making wheat a more convenient medium of exchange. It is said that promissory notes were often made payable in wheat to be delivered at a particular warehouse. Sometimes such notes and merchant orders were expressed as a given number of bushels of wheat, and sometimes as a stated sum of money in wheat at the market price. There was a quite limited local demand for wheat and the whole arrangement was made possible by the fact that the Hudson's Bay Company provided a market for wheat which they supplied to Russian traders in Alaska. Although the territorial legislature could determine what should be lawful money, the British monopoly had the ultimate power to regulate the value of that money through its power to fix the price of wheat.[3]

Did these pioneer merchants perform a banking function? It must be remembered that mere warehousing is not banking; a merchant who ex-

[2] *Oregon Laws, 1843-1849* (A. Bush, Salem, 1853). This act also provided that "good merchantable wheat at the market price" should be legal tender.
[3] The best source of information on economic conditions in territorial Oregon is *Trade and Currency in Early Oregon* by James H. Gilbert (New York, 1907).

tends credit to customers is not in the banking business. But if a merchant accepts deposits either of cash or wheat, and if the resulting claims circulate as money, then certainly it would be in order to characterize this as quasi-banking. The only missing ingredient has to do with the fractional reserve principle; banks lend not only stockholders' funds but a proportion of deposits and rely on the knowledge that not all depositors will wish to withdraw funds at the same time. But with the merchants, the wheat undoubtedly remained in the warehouse and no portion of it was loaned by the merchant. In effect, these merchants were bankers operating with one hundred per cent reserves.

Whether pioneer Oregon merchants did or did not perform the essential function of banking is not especially important. Early trade was hampered by the lack of banking institutions as well as a sound and adequate currency. In the absence of banks, and in the absence of an adequate currency system, early trade and commerce in the Oregon Country was greatly facilitated by the operations of pioneer merchants.

Jason Lee was a minister of the Methodist Episcopal Church and the founder and leader of the Oregon Mission established at Mission Bottom, near the present Salem, in 1834. All this is quite well known; not so well known is that Jason Lee was not only a pioneer minister, he was also a pioneer merchant and some of the activities of the Oregon Mission Store were at least reminiscent of banking. It might be noted in passing that he was also a pioneer educator.

It should be remembered that when Jason Lee and his missionary party settled at Mission Bottom, the Hudson's Bay Company had been established at Fort Vancouver for less than a decade and that the mission, of necessity, had to be virtually self-sufficient. The most feasible transportation available was by boat on the Willamette River. It should be remembered, also, that the missionary party led by Mr. Lee had become experienced in frontier living and were prepared to deal with the practical problem of living in a remote land. The group had brought the first cattle across the Rocky Mountains and left them at Fort Walla Walla in exchange for the same number of animals at Fort Vancouver. These cattle were brought to Mission Bottom along with a minimum necessary store of tools and supplies required to establish a basis for living. The party arrived at Mission Bottom in October 1834, and immediately began construction of log cabins. Some ground was cleared and the following spring crops were planted. Some time later a mission store was established. Without doubt, Mr. Lee did not personally operate this enter-

prise, although it must have operated under his general supervision. The store served as a clearing house for exchange of goods between the people of the mission and as a means of trading with the outside world, largely through the Hudson's Bay Company.[4]

The account book of the Oregon Mission Store for the years 1838-41[5] is included in the special collection of the University of Oregon library. This account book was apparently not maintained as a double entry system with the recognition of income and expense items. It is a rather narrow book which contains the store's accounts with persons and firms. The page on the left side contains the charges or debits; the opposite page is the credit side. Quite clearly there was no journal or other book of original entry; transactions were recorded directly in the accounts of persons involved.

The book provides an intimate view of the day-to-day commercial and economic activities of the men and women of the Oregon Mission in this early period in Oregon history. Like most pioneer merchandising establishments, the operation was not simply a matter of buying from wholesalers, and selling to retail customers for cash. The store purchased local merchandise, such as wheat, beaver skins, bear skins, butter, and potatoes. On the other hand, it sold a surprisingly diverse line of merchandise. The men and women of the Oregon Mission were apparently not clad like the "mountain men," in buckskin and moccasins. The account book records sales of such things as lace boots ($3.50), calico (20¢ per yard), red flannel (25¢ per yard), men's socks (33¢), children's shoes ($1.00), sheets (75¢) and "wollen" sheets ($3.00). Undoubtedly the most intriguing sale recorded was the sale on November 13, 1839, to David Leslie of "one pair of velvet pants." This was indeed splendor for the remote settlement on the banks of the Willamette. At the same time Reverend Leslie bought, presumably for his wife, one "dres" ($1.17). One wonders where and when Reverend Leslie wore the pants. Certainly such apparel was unsuited to daily living in the tiny settlement; nor does it seem appropriate for pulpit wear. Perhaps the description entered in the account book was erroneous and the pants were merely trimmed in velvet. It is not at all clear how it happened

[4] All standard Oregon history works include an abundance of material dealing with the life and work of Jason Lee and the Oregon Mission. Among the better ones are the following: *Jason Lee; Prophet of the New Oregon*, by Cornelius J. Brosnan (New York, 1932); *Pilgrim and Pioneer*, by John M. Canse (New York 1930); and *The Conquerors*, by A. Atwood (Cincinnati, 1907).

[5] But almost all of the transactions recorded were in 1838-39.

that the store had velvet pants in stock. This certainly was not a standard merchandise on the frontier. Perhaps it was ordered especially for Mr. Leslie.[6]

It is interesting to review the prices of various commodities sold or purchased. Perhaps the most remarkable characteristic of these prices is their uniformity over a period of years. An economist would consider these to be "administered prices." This uniformity applies not only to commodities such as wheat and beaver skins, which presumably were purchased for resale to the Hudson's Bay Company, but also to standard consumption items sold to local residents. Some prices are shown below:

Standard consumption goods:

Calico, per yard	$ .20
Red flannel, per yard	.25
Lamp oil, per gal.	1.00
Children's shoes, pr.	1.00
Pillow cases, each	.25
Men's socks, pair	.33
Tea, per pound	1.00
Butter, per pound	.20
Oats, per bushel	$ .40
Peas, per bushel	.50

Goods purchased presumably for resale to Hudson's Bay Company:

Wheat, per bushel	$ .60
Beaver skins, each	2.20

Prices of goods and services not frequently bought or sold:

Ox yokes	$ 1.00
Bear skins	.50
Saddles	$4.00 to $10.00
Rifle	13.00
Chair	2.20
Labor, per day	1.00
Woolen shirt	1.50
Pants	2.50

[6] The book is not specifically identified as the account book of the Mission Bottom store, but there is ample internal evidence that this is the case. The customers listed can be identified as members of the group at "Old Mission." Cyrus Shepherd and Miss Margaret Smith, for example, can be identified with the Mission School which was at this location. Another bit of internal evidence includes a credit made in one account "for bringing articles from The Falls;" on Nov. 20, 1839, a credit was entered in the account of one W. Anderson for $20.00 for 21 days work "salting salmon" and an additional credit for $5.00 for "five days to Vancouver." If the store had been at Oregon City the journey to Vancouver would certainly not have required five days.

On the inside cover of the account book written in pencil is the notation "Gov. Abernathy, Account Book 1838." This must have been written some time later since George Abernathy was a member of the Lausanne party which did not arrive at the Columbia River until 1840. It is quite possible that Mr. Abernathy came into possession of the book after his arrival in Oregon.

The clientele of the store was not limited to members of the mission party. Some trading with Indians may have occurred, although no evidence appears in the account book. But a group of retired employees of the Hudson's Bay Company lived nearby at French Prairie and were served by the store; other former employees of the Company lived within a day's journey of the Mission. These former Hudson's Bay men were French Canadians and the Mission storekeeper had some difficulty with the spelling of their names. An account with "Joseph Jarvis" appears in the account book; this was evidently Joseph Gervais, who gave his name to the present town of Gervais in Marion county.

The profit motive was not a major consideration in the operation of the store. The book includes only accounts with persons and firms. An accountant would describe it as a combined accounts receivable and accounts payable ledger. Costs, income and expense accounts, were apparently not kept, so that it is impossible to determine profit or loss. But the conclusion is inescapable that the store did operate at a loss. Beaver skins were purchased by the store at $2.20 each, and we know that this was also the buying price maintained by the Hudson's Bay Company at Fort Vancouver. Wheat was purchased by the Mission store at sixty cents per bushel, which was also the buying price at Vancouver. It is possible, although unlikely, that these Hudson's Bay prices were for independent trappers and traders and that the Oregon Mission received more favorable prices. But it is improbable that these prices could have been sufficiently higher to absorb the cost of handling and transportation.

Based on the evidence in the account book, it would appear that this pioneer business establishment had a relatively tremendous bad-debt loss. We cannot be absolutely sure that some or all of these accounts were collected but not recorded, nor that payments were made but recorded in some other book not now available. An abstract of charges, credits, and balances for these years is shown below:

customer	*debit*	*credit*	*debit*	*credit*
Alanson Beers	$ 113.28		$ 113.28	
Charles Roe	13.50	2.20	11.30	
Webley S. Hauxhurst	130.85	91.05	39.80	
A. H. Willison (W. H. Willson?)	96.50		96.50	
M. S. Decord?	84.58	87.58		3.00
Daniel Lee		3.00		3.00
Felix Hathaway	77.54	78.50		.96
Joseph DeLored (Delord?)	100.00	100.00		

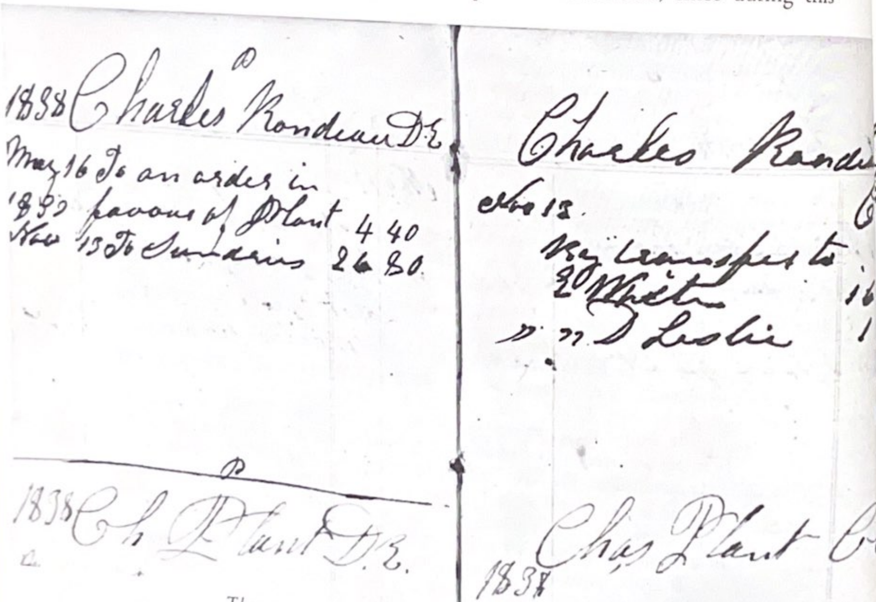
J. L. Whitcomb	201.00	1.50	199.50	
Cyrus Shephard	12.56		12.56	
E. White (Dr. Elijah White?)	79.16	56.55	22.61	
J. Rowland	6.50	6.60		.10
Charles Rondeau	50.85	23.40	27.45	
Charles Plante	104.14	96.49	7.65	
Joseph Gale	7.30		7.30	
Shephard and Whitcomb	293.52		293.52	
Margaret J. Smith	1.50		1.50	
Calvin Tibitz (Tibbits?)	23.02	23.02		
George Gay	15.65	10.60	5.05	
Joseph Jarvis (Gervais)	330.14	60.92	269.22	
D. Leslie	219.52	31.00	188.52	
William Turner	23.11	6.00	17.11	
John Hord (Howard?)	2.50		2.50	
G. W. Ebits (Ebberts?)	59.03	45.47	13.56	
E. Young (Ewing?)	219.35	81.92	137.43	
Ehen Lucea (Etienne Lucier?)	132.00	70.00	62.00	
Mr. Bellec (Belaque?)	2.20	2.20		
La Deroot	22.06	5.40	16.66	
John Edmonds (Edmunds?)	7.20	7.00	.20	
Benj Williams	10.00		10.00	
H. R. W. Perkins	2.25		2.25	
"Captain" Young	75.29	78.00		2.71
James O'Neil	.50	9.00		8.50
Louis Ferce (Fercier?)	57.76	37.00	20.76	
totals	$2,574.36	$1,014.40	$1,578.23	$18.27

It would be quite unfair, however, to conclude that these debit balances are necessarily bad debts. It is possible, for example, that the record is incomplete. We have only a single account book and it is evident that some accounts are missing; there are charges made to several accounts purporting to reflect transfers to the account of T. J. Hubbard, but this account is not included in the book.

It is also possible that the store was intended to be essentially a means of supporting the Mission party and that at least some members were not expected to pay for essential supplies. Only a few missionaries and teachers were salaried, and it may be that even for them the compensation included essential supplies from the store. Possibly the store was some-

thing of an instrument for rationing these essential supplies to the members of the Mission.

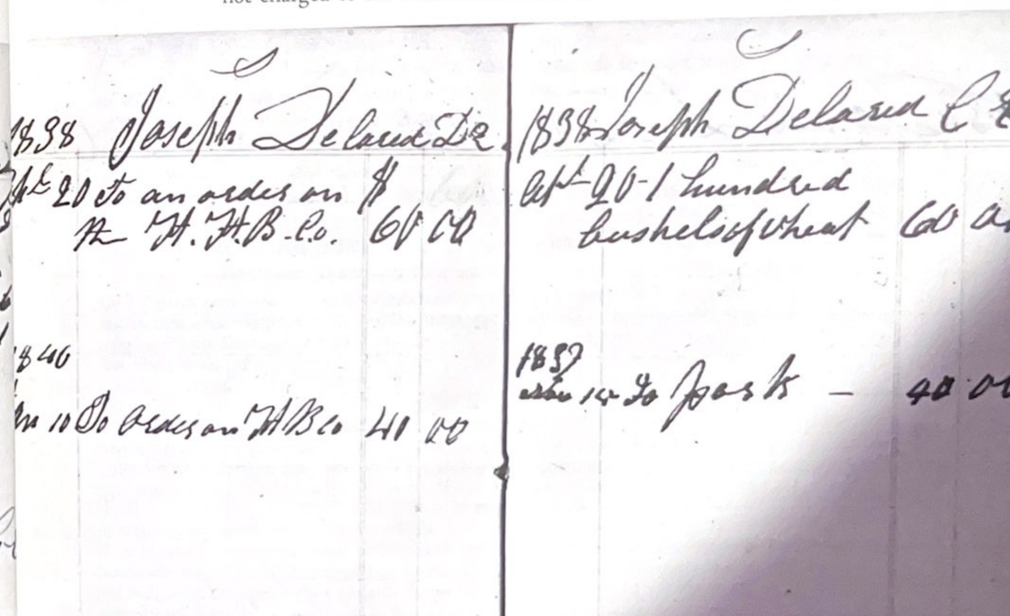
Supporting this conclusion is the fact that many of the accounts with debit balances can be identified with well-known members of the Mission, whose compensation may have included some supplies from the store. The account with "E. White," for example, evidently was meant to identify the mission doctor, Dr. Elijah White, who had come to the Mission in the spring of 1837. "D. Leslie" was the Reverend David Leslie; Cyrus Shepherd was head of the Mission school, and Miss Margaret Smith was a teacher in the school. "D. Lee" was, of course, the Reverend Daniel Lee, a nephew of Jason Lee. An account with Jason Lee does not appear in the book, which is quite understandable, since during this


1838 Charles Rondeau Dr
May 16 To an order in
1839 favour of Plant 4 40
Nov 13 To Sundries 26 80
Charles Rondeau Cr
Nov 13
By transfer to
E White 16
" " D Leslie 1
1838 Chs Plant Dr
Chas Plant Cr
1838

The account with Charles Rondeau as it appears in the account book of the Oregon Mission Store.

period (1838-1839) he was in the east raising money and preparing to bring additional members to the Mission. The result of his efforts was the arrival by water, in Oregon in 1840, of the Lausanne party which greatly strengthened the Mission; included was George Abernathy, who came as Mission steward, and who went on to become the first Provisional Governor of the Territory of Oregon.

Further supporting the conclusion that members of the Mission who were occupied with missionary responsibilities were not expected to pay for essential supplies taken from the store, is that there are a number of credits to various accounts for articles or services performed for one or more of the missionaries. But these commodities or services were not charged to the missionaries concerned. On November 13, 1839, for


1838 Joseph Delored Dr
Apl 20 To an order on
the H.H.B.Co. 60 00
1840
Jun 10 To Order on H.B.Co 41 00
1838 Joseph Delored Cr
Apl 20 1 hundred
bushels of wheat 60 00
1839
Nov 14 To pork — 40 00

The account with Joseph Delored (probably De Lord?). The account book is in the University of Oregon Library.

example, Charles Plante was credited with \$3.00 "for 3 days work last year on Dr. White's house;" but this amount was not charged to Dr. White. On January 21, 1838, E. Young (Ewing Young) was credited for \$40.34 "by lumber delivered to E. White." Nor was this amount charged to Dr. White. In December 1838, the following articles were listed on the debit side of the account of Miss Margaret Smith, but amounts were not extended except for the final item: "1 small bed quilt; 1 large bed quilt; 2 pairs cotton sheets; 2 pairs cotton pillow cases; 10 yards cotton, \$1.50."

Apparently, the storekeeper, Alanson Beers, reasoned that since Miss Smith was a Mission teacher she was entitled to draw on the common store for essential supplies, and there was little basis for recording the monetary value of the supplies. Certainly the articles listed do not constitute evidence of high living by this pioneer teacher. But why he did list the value of the 10 yards of cotton is not at all clear.

The articles purchased by Miss Smith have something of a flavor of "setting up housekeeping." As a matter of fact, she was married to Dr. William J. Bailey on March 4, 1839, although, according to her own testimony the proposal of marriage was not made until February 1839. Perhaps she had a womanly intuition that a proposal might be forthcoming.[7]

But some of the missionaries and teachers did pay at least something,

[7] Margaret J. (Jewett) Smith Bailey was a very controversial person in early Oregon. Her marriage to Dr. Bailey was most unhappy, and after repeated separations, they were divorced. In 1854 she published a very thinly disguised autobiography, *The Grains—or Passages in the Life of Ruth Rover*. Only two copies of these volumes are known to exist; one is in the Coe Collection in Yale University and the other in the Oregon State Library at Salem. In this account, the real names of persons and places were used with very few exceptions. Mrs. Bailey refers to herself as "Ruth Rover" and to Dr. Bailey as "Dr. Binney." The whole account is a rather sanctimonious and petulant portrayal of her difficulties and quarrels with members of the Oregon Mission and the undoubted trials and tribulations of her marriage to the alcoholic Dr. Bailey. Without doubt, Mrs. Bailey was an able and hard-working woman, but judging from this wordy account, more or less predestined to disaster. It is interesting as an early example of "true confession" journalism; it was badly received by reviewers and editors of the period. The *Oregon Historical Quarterly* for June 1944 contained an article dealing with this publication, and the public reaction to it, "First True Confession Pictures Oregon 'Moral' " by Herbert B. Nelson (XLV, No. 2, 168) .

The date of the marriage is given by Bancroft as 1840. Mrs. Bailey's own account, as well as the sequence of events, indicates clearly that this date is in error.

which may indicate that there was some supervision or control over the values of supplies that could be drawn. The account of David Leslie, for example, shows credits (payments) of $16.00 by transfer from S. L. Whitcomb and $15.00 by transfer from Calvin Tibets (Tibbits?). The account of Dr. White shows credits of $56.55 for two items, a transfer from "Captain Young" (Ewing Young?) of $50.00, and a transfer from D. Leslie of $6.55.

But whether or not the full time missionaries were permitted to draw essential supplies from the store without payment is unknown. Whatever salaries were paid to members of the Mission were not reflected in the account book. There is no direct evidence in the account book of any formal limitation or rationing of supplies drawn by the Mission workers, although it is possible that such arrangements were quite informal.

But even after making due allowance for the possibility that Mission workers were permitted to draw essential supplies without payment, it would appear that uncollected balances were relatively large. It must be remembered that this store was not a commercial undertaking, but an instrument of a Missionary enterprise.

Detailed examination of the account book indicates that the function of the Mission store was much broader than mere merchandising. The store did not accept deposits and so, in a technical sense, it would be inaccurate to describe it simply as a bank. But it did undertake activities and provide services that are now essential banking services.

It is quite clear, for example, that store credit served as a medium of exchange. Business transactions between individuals and not involving the store directly were settled by transfers on the books of the Mission store. Indeed, an account at the store served as a sort of primitive checking account. On May 16, 1838, for example, the account of Charles Rondeau was charged with $4.40 and the account of Charles Plante was credited with an equal amount, representing a transfer of credit on the books of the store. This evidently reflected a private business transaction between Rondeau and Plante. On October 13, 1838, the account of Lucia (Etienne Lucier?) was credited with $36.00 and the notation was "by an order in favor of DeCord." At the same time a charge was entered in the account of DeCord and the notation was "to an order on the H.H.B. Co. in favor of Lucia." This entry evidently reflected the purchase by DeCord from Lucia of an order on the Hudson's Bay Company owned by him. Lucia (or Lucier) had been a member of the Astor Party of 1812 and later an employee of the Hudson's Bay Company, and it is reasonable to suppose

that he was one of the retired employees of the British company who had a credit on the books at Fort Vancouver and that DeCord for some reason wanted a draft on that company. Perhaps he was indebted to the company, or perhaps he desired to buy supplies that could only be had in Vancouver. In any event, this private transaction was carried out by means of a transfer of credit on the books of the Mission store. Since a great many such private transactions are reflected in the account book, it would not be inaccurate to say the store's books served as a medium of exchange. Certainly this service closely resembled the modern bank checking account. Presumably, it was necessary for the individual who proposed to have his account charged in such a transaction either to establish credit at the store or to have previously built up a credit on the store's books.

The extent to which the store accounts served as a medium of exchange is indicated by the fact that the account book does not show credits to any account "by cash." Credits were made up entirely of deliveries of merchandise, orders on the Hudson's Bay Company, and transfers from other accounts.

So far as this record shows, no customer ever paid cash to the store. This is not especially strange when the economic and political circumstances of the time are considered. The Willamette Valley was a remote frontier; whether the area was a territory of the United States or a British possession, it was still unsettled. Very little English money was in circulation, since the interest of the Hudson's Bay Company might have been adversely influenced by such circulation. In any event, the settlers and missionaries, and even the trappers, were unfamiliar with such money. The paper money of the United States consisted of state bank notes of variable and uncertain value. Metallic coins of the United States were extremely scarce. It its not, therefore, remarkable that an economy of barter modified by an ingenious use of book credits should develop.

An intriguing transaction reflected in the account book has to do with a credit made to the account of a "Captain Young" on October 10, 1838. The credit carried the notation "by one large kettle, $50." On the same date this credit was transferred to the account of "E. White" (Dr. Elijah White) by a charge to the account of Young and a credit to White's account. This transaction may be interpreted as follows: One, the Mission store purchased the large kettle from "Captain" Young and credited his account. Two, in some way "Captain" Young had become indebted to Dr. White, and liquidated this debt by authorizing the transfer of this credit to the account of Dr. White.

It is highly probable that "Captain" Young was Ewing Young, although there is also an account with "E. Young." It was not uncommon for the accounts to require more than a single page, and since the book was bound, not looseleaf, the second page of an account does not necessarily follow the first page. Since totals were not carried forward, this second page, then, has something of the appearance of another account. In carrying an account to another page, the storekeeper did not always spell the name in the same way. There is, for example, an account with "G. W. Ebits," but the entries make it clear that Mr. Ebbits and G. W. Ebits were the same person. In this case it seems clear that the spelling was in error on each page. The accounts evidently refer to George Ward Ebbert.

That "Captain" Young was indeed Ewing Young is supported by the fact that the transactions recorded in the Captain Young account, including the purchase of the large kettle, and the transfer of the resulting credit to the account of Dr. White, occurred in 1838. But all of the entries in the account with E. Young cover the years 1839-1841.

It is also rather unlikely that the title "Captain" would have been casually assigned to a customer of the store without some basis. If the storekeeper was disposed toward levity there is certainly no evidence of it in the account book. Moreover, there was every reason to refer to Mr. Young as Captain Young. He had just completed (in 1837) an undertaking of great benefit to the Mission, which required leadership qualities, organization and planning, and devotion to duty worthy of a great military leader.

The Willamette Cattle Company was organized in 1837, and with funds subscribed by the Methodist mission, Dr. McLaughlin, and Captain Slacum of the United States Navy, sent a party to Mexican California to buy cattle and drive them to the Willamette Valley. Mr. Young was named as Captain, and P. L. Edwards of the Mission as Treasurer. Apparently Mr. Lee was unwilling to trust Mr. Young with the funds. The party succeeded in buying about 800 cattle in California, and under the leadership of Ewing Young made an epic cattle drive from California to the Willamette Valley. Very little is known of the details of this drive, but the difficulties must have been enormous. The cattle drives which came decades later on the Chisholm trail from Texas to Kansas must have been mere child's play by comparison. The loss of cattle was substantial, but the party brought more than 600 head of cattle to the Willamette Valley. It is not surprising that with these events fresh in memory the

storekeeper would include the title "Captain" in the heading of Mr. Young's account.

The transaction involving "one large kettle" sold by Mr. Young to the Mission store for \$50.00 is a matter of more than passing curiosity. It seems quite possible that this transaction is related to an earlier event in Oregon history, and may provide the final chapter in the story of the beginnings of the perennial contest between liquor manufacturers and sellers and the advocates of temperance or prohibition.

Attention is drawn to this transaction by the price allowed for the kettle. At a time when children's shoes sold for \$1.00 and men's shirts for 60¢, \$50.00 seems to be an enormous price for a kettle. How large was this kettle? What use did the Mission store have for such an expensive article? The account book contains no evidence of subsequent use or sale. Kettles were used in pioneer soapmaking, but normally each family made soap for its own use, and anyway there is no evidence that the store manufactured soap for sale.

Curiosity about this transaction is related to prior events in the career of Ewing Young. He was a trapper and trader who had driven a band of brood mares and horses to the north from California in 1834. For reasons that are not relevant to this story, he incurred at least the temporary displeasure of Dr. McLaughlin and the Hudson's Bay Company, who refused to have any dealings with him.

Some time later, perhaps in retaliation, Young took a partner (Carmichael) and, near the mouth of the Willamette, undertook to produce "an alcoholic beverage" for sale. The partners secured a "large kettle" which had been used for pickling salmon, which they proposed to use. It is not clear how an alcoholic beverage could be distilled with only a large kettle, but perhaps some additional equipment was improvised.

Jason Lee immediately organized the Oregon Temperance Society and wrote a petition in favor of temperance which was signed by the missionaries and settlers. He then wrote a friendly letter to Young, enclosing the petition and urging that the enterprise be abandoned. Lee offered \$60.00 which had been collected for this purpose to reimburse Young and Carmichael for the expense they had incurred.

Young, impressed with the extent of the opposition and the friendly tone of Lee's letter, promised that he would abandon the enterprise but refused the offer to refund the cost of the equipment.

This is why the sale of "one large kettle" by Young to the Mission store in 1838 is of interest. Was this the same kettle for which he had once

refused payment? If so, why did the Mission store buy it? Was it because the Mission needed a kettle? Or, was it perhaps that the Mission leaders considered that, in the interest of temperance, it might be prudent to remove temptation from the path of Ewing Young or someone who might acquire the kettle from him? Probably these questions can never be answered. But it does seem possible that this was the same kettle that was involved in the distilling enterprise. If so, it would seem to reinforce the belief that the store was not operated for profit, but as an instrument to further the general objectives of the Mission.

The operation of the store was also reminiscent of banking in that it dealt in orders on the Hudson's Bay Company. Apparently the store either had what was in effect a correspondent account at the Hudson's Bay Company, or had established credit there. Sales of orders on the company are indicated by charges in customers accounts with the notation "to an order on H.H.B. Co." Sale of an H.H.B. Co. draft to Joseph Delored (DeLord?) is reflected in one of the accounts reproduced here. The store's purchase of orders on the company is frequently indicated by similar credits in accounts of customers on account of such orders or drafts.

It is not entirely clear what was meant by the abbreviation "H. H. B." In the circumstances, these letters can only have reference to the British company. The opinion may be ventured that this was meant as an abbreviation for the "Honorable Hudson's Bay Company."

The business in H.H.B. Co. orders was not at all dissimilar to present-day banking practice. It requires very little imagination to think of the Mission store as a "country bank" and the Hudson's Bay Company as the city correspondent. We do not know what were the financial arrangements between the store and the Company. If the Mission store was permitted to overdraw its account with the Company, or if these orders circulated as money, it would require only a slight stretch of the imagination to think of the British company as a sort of central bank for the Mission store.

In one respect, however, the buying and selling of H.H.B. Co. orders was quite dissimilar to present day exchange operations of banks. The business was evidently done at no profit; this is another bit of evidence indicating that the Mission store was operated for the purpose of furthering the general objectives of the Mission and not as a source of income.

THE POTATO BARREL BANK

wildcat banking in Indiana and why Oregon pioneers disliked banks

Early bank notes. The Kirtland Safety Society notes were sometimes referred to as "Morman money" because the bank was organized by the leaders of the Mormon community in Kirtland, Ohio in 1836. The note is signed by the Mormon Prophet, Joseph Smith. The so-called bank was illegal since it was refused a charter by the Ohio legislature; the notes were defaulted shortly after issuance.

It was not uncommon for state banks that planned to issue notes to be located in remote, inaccessible places in order to make the redemption of notes difficult.

After more than a hundred years, it may be somewhat difficult to understand the attitude toward banks of the men of the Oregon Constitutional Convention of 1857. Elsewhere in this book, we have related in some detail the implacable opposition of the Convention towards banks;[1] it is quite possible that a majority of the delegates thought they were prohibiting the incorporation of banks entirely. But the Oregon Supreme Court in 1880 decided that the Convention had intended only to prohibit the incorporation of banks having the power to issue paper money.[2]

The opposition to the circulation of bank notes as money was quite general in the far west. Indeed, this opposition extended to paper money generally and not just to bank notes. In California, for example, the Constitution prohibited all corporations or associations from issuing for circulation as money anything but the lawful money of the United States. The National Bank Act of 1865 provided for the issuance by national banks "of national bank notes" on the security of United States bonds. But Californians were not quick to utilize the new system. Without doubt, bankers anticipated that national bank notes would not find easy acceptance. No national bank was organized in California until 1870 and notes were not issued until 1871.[3] This was the First National Gold Bank and the notes were issued under a special Congressional act authorizing the issuance of national bank notes redeemable in gold coin by the issuing bank on demand.[4] Californians had a definite affection for hard money. In 1875, for example, there were nine national banks in California, each with the word "gold" in the bank name.[5] The banks included the National Gold Bank of D. O. Mills & Co., the First National Gold Bank of Oakland, and the First National Gold Bank of Petaluma. Each of these banks issued special national bank notes redeemable in gold by the

[1] "A Small Matter of a Semicolon," p. 102.
[2] *State of Oregon v. Hibernian Savings and Loan Association*, (1880) 8 Or. 396.
[3] Benjamin C. Wright, *Banking in California 1849-1910* (San Francisco, 1910).
[4] *Ibid.*
[5] *Report* of the Comptroller of the Currency, 1875.

issuing bank. The United States was not at this time on the gold standard, but California banks were.

In Oregon, the First National Bank of Portland was organized in 1865 and began business in 1866. But the Oregon bank almost immediately began the issuance of national bank notes. In fact, all initial capital paid in was used for the purchase of United States bonds to be deposited with the Comptroller of the Currency to secure this circulation.[6] The bank must have found it possible to circulate these new notes or they would not have been issued. Very probably this does not mean that Oregonians had lost their dislike for paper money by 1866, but it was only possible because all paper money, including national bank notes, circulated at a discount relative to coin and continued to do so until the resumption of specie payments in 1879. During this period, banks found it necessary to keep their records in such a way as to distinguish between currency and coin.

But the new national bank notes must not have been exactly popular in Oregon, since no other national bank was organized in the state until 1882. In this year, the First National Bank of Pendleton was organized. In 1892, there were forty-one national banks in the state. The depression of the 1890s served to reduce the number of national banks, and in 1900 only twenty-seven remained.

The notes of state banks ceased with the passage of the National Bank Act in 1865.[7] Without doubt, there was a greater distrust of these state bank notes, with their uncertain and varying value, than of national currency and national bank notes. The attitude of Oregonians toward the issues of the state banks was probably fairly reflected in the letters of Charles Stevens to friends in the east. Charles Stevens was an Oregon pioneer of 1852 and his extensive correspondence is in the possession of the Library Association of Portland. The following excerpts from two of his letters reflect his strong views on "bank paper."[8]

Astoria, O.T. 25 March 1855

The hard times in the east has been felt to some extent in this country, but we think it cannot be to that extent, not by one hundred per

[6] Based on an unpublished history of the First National Bank of Portland by Dr. Burt Brown Barker and in possession of the bank.

[7] Not by direct prohibition, but on account of the levying of a tax high enough to be prohibitive.

[8] "Letters of Charles Stevens," edited by E. Ruth Rockwood, *Oregon Historical Quarterly*, June 1937.

cent that it is there.[9] We have no banks in this country to flood the country with their flimsy trash, with promises to pay printed upon it, with a very pretty picture to keep its appearance, and then shut down the trap door, lock and bolt it and tell the people to get the promise to pay if they can; no, we have not seen a bank bill since we came to Oregon and we hope we never shall.

Give us gold and silver and you may keep your paper . . .

Astoria, O.T. 26th Dec. 1857

This, I believe, the third great bank panic within my recollection, and I hope it will be the last. When I was a boy and used to play ball, the general rule was three ticks put us out. Now I believe it would be a good idea for the people to apply the same rule to the banking system. They have had their ticks, and in my view ought to stand aside and let another system take a hand in the game.

I have lived in Oregon long enough, I believe, to know the value of the hard money system, and I must say it is far superior to paper rags. Gold and silver is as plenty here as gold, silver, and paper and all was when we were in the states, and I believe it would be there in a short time, if you would go to work and grind up your rags and make books out of the paper instead of printing pictures on it and calling it money. Business is improving steadily all over the territory under the system, and the people are so well satisfied with it that they have just voted to adopt a constitution that prohibits all such institutions.

That the prejudice toward state bank note issues was abundantly justified is indicated by an account of an effort to convert bank notes of the Bank of Morocco, Indiana, into coin, related by Alexander L. Stimpson. Mr. Stimpson was a pioneer expressman who in 1860 published an authoritative history of the express business. In 1881, this volume was reprinted together with some additional material.[10]

It was not uncommon for state banks that planned to issue notes to be located in remote or inaccessible places in order to make the redemption

[9] Actually Mr. Stevens' analysis does not exactly fit the facts. The financial difficulties of 1855 were caused by the February 23, 1855 general suspension of California banks. But California banks did not issue bank notes. Indeed, California was distinctly hard money territory.

[10] A. L. Stimpson, *History of the Express Business* (Baker & Godwin, Printers, New York, 1881). The book was available only by advance subscription.

of notes difficult.[11] Businessmen who accumulated the notes of these hard-to-find banks frequently employed the services of express companies in the redemption of notes. The difficulties involved in finding these banks and converting their notes into coin were described by Mr. Stimpson. One such adventure we relate here.

The date of the incident is somewhat uncertain; Stimpson places it as "about twenty years ago" which presumably would be 1861. It was certainly after 1852, since before that time banks could be chartered only by special legislative enactment.

The State of Indiana adopted in 1852 a statute known as the "Free Bank Law." Any person who wished to start a bank had merely to purchase state bonds and deposit them with the State Auditor at Indianapolis, who would then issue a like amount of registered bank notes, which, when signed by the President and Cashier, became a circulating medium and were receivable for taxes and other debts due the state. The bank was required to redeem its notes in gold and silver when presented over the counter.

It is very probable that bonds of the State of Indiana could have been purchased at heavy discounts at this time. Many of the states in this area had undertaken over-ambitious programs of internal improvements and made investments in canal, banking, and railroad enterprises. These enterprises usually turned out badly, especially after the panic of 1837.[12]

Many of the banks organized under the Free Bank Law were located in the established cities and towns of Indiana and did an entirely legiti-

11 Probably for this reason these institutions became known as "wildcat banks"; their location was known only to the wildcats. "Debit banking" was also a term used to describe the organization of state banks. Promoters could sometimes establish a bank merely by making debits and credits and with no real capital contribution.

12 Indiana suspended interest payments on its bonds in aid of the Wabash and Erie Canal, the State Bank of Indiana, and other private enterprises. The failure of some of these enterprises and the difficulty of collecting taxes from the small farmers who made up the bulk of the population made default inevitable. In 1847, an act was passed providing that one-half of the debt and interest would be settled by the issuance of new bonds payable from general tax revenues. The other half of the debt was settled by the issuance of certificates which would now be called "revenue bonds," payable only from the earnings of the Wabash and Erie Canal. Cash interest payments at 4 per cent were resumed on state bonds on July 1, 1847. The revenue certificates of the Wabash and Erie Canal paid interest for a time but ceased with the failure and abandonment of the Canal enterprise. The best account of state banking in Indiana is found in Logan Esary, *State Banking in Indiana*, Indiana University Studies, No. 15, April 1912.

mate business. But some of them were located in places difficult to find in the backwoods, presumably for the purpose of making note redemption difficult. Many of these wildcat banks were owned by nonresidents of Indiana and sometimes a wealthy individual owned many such banks. If the owner lived in another state a considerable distance from the bank, he might elect to put the bank notes in circulation there instead of in the immediate vicinity of the bank. The primitive transportation facilities of the time insured that the notes would be unredeemed for a considerable time even if there was no difficulty in finding the bank. When the notes were redeemed the whole process could be repeated.

In our particular tale, a wealthy broker owned twenty of these wildcat banks. Prior to the organization of the banks he obtained from a real estate dealer in Indianapolis a list of twenty *paper towns*. These were a product of the real estate speculation of the period and existed only in the fertile imagination of promoters and perhaps on crude plat maps in obscure county courthouses. Banks were then established in these "towns;" one of these banks was the Bank of Morocco, which at least on paper was in Newton County in northwestern Indiana.

Adams & Co.'s Express did a thriving and profitable business in finding these banks and presenting notes for redemption in specie. The express company was employed by merchants and brokers in Cincinnati, Louisville, Indianapolis, and Madison to present notes for payment and return of the specie.

Stimpson was then the agent of Adams & Co. in Indianapolis and kept several bank messengers in readiness to go to any designated point for the purpose of presenting bank notes for redemption.

On one occasion, the Indianapolis office received one thousand dollars of the notes of the Bank of Morocco to be presented for redemption. It happened that at that time no messenger was conveniently available and the agent was compelled to undertake the mission himself. Since he had never heard of Morocco, he went to the State Auditor's office in Indianapolis for information concerning its location; all he could learn here was that it was located in Newton County. The Indianapolis and Lafayette Railroad, then under construction, ran in the general direction of Newton County and so Stimpson went by train to the end of construction and from this point took a stage to Lafayette.

In Lafayette he consulted a banker friend who advised him that the proper road to take was through Rensselaer, the county seat of Jasper County. On a rented horse he arrived in Rensselaer. He found that no one had ever heard of Morocco and so he continued in the general direction of

Newton County, taking the plainest track he could find across the prairie. After traveling all day he saw two cabins some distance ahead. One of these was a blacksmith's shop and the other the residence of the blacksmith. He rode up to the door of the shop and asked the blacksmith if he could direct him to the town of Morocco. The blacksmith replied, "You need no direction; you are in the town now." Although astonished, the agent then asked, "Is there a bank in this town?" It was now the turn of the blacksmith to be astonished, and he replied, "Yes; why do you ask that question?" The agent replied, "I have some business with the bank and wish to find it." After a little hesitation the blacksmith then inquired, "What is the nature of your business?" The agent, trained to be uncommunicative about the affairs of his customers, said only that he would state his business to the bank officers if he could find them. "Well," said the blacksmith, "hitch your critter in the shade there, and I'll go with you to the bank." With this preliminary out of the way, the agent followed the blacksmith who started for the cabin where he lived. As he entered the door he said, "This is the Bank of Morocco; take a seat."

When asked if he was the cashier, the blacksmith replied, "I don't know what they call me, but I do all the business that is done here." The agent then told him that he had one thousand dollars of the notes of the bank, for which he wanted gold. "Well," said the blacksmith, "it is too late now and you will have to stay overnight; we will transact the bank business tomorrow."

The agent had no alternative but to comply, and after staking the rented horse out on the prairie in such a way that he could graze, the two men returned to the "bank" for supper. After the meal was finished, the banker-blacksmith explained that he was not well equipped for "keeping tavern" in that he had only two beds which were fully occupied by his wife and four children. He explained that, since the weather was warm, he slept on the prairie. He offered to provide the agent with a blanket and pillow so he would be as comfortable as possible. The agent, having no alternative, sensibly replied, "That will suit me exactly."

The blacksmith, sensing that the agent was uneasy about sleeping on the prairie with a thousand dollars in his pocket, said, "If you wish, I will put your money in the bank vault tonight, and give you your gold in the morning." The agent agreed, although he had no idea where the bank "vault" was, nor whether the money would be any safer there than in his pocket. The blacksmith then took the package of bank notes and went to a potato barrel in a corner of the cabin and began taking potatoes

out of the barrel. He filled a large basket with potatoes and then placed the bank notes in the barrel and filled the barrel with potatoes. "That vault is easily unlocked," he said, "but it is as safe as any they have in Lafayette."

The two men made their beds on the prairie and slept soundly. The next morning, after an ample breakfast, the blacksmith said briskly, "We will open the bank now and proceed to business."

Going to the same barrel, he removed the potatoes as before until he came to the package of bank notes. He took the bank notes to the breakfast table and counted them. When he was satisfied, he returned to the potato barrel and took out the remainder of the potatoes. Then from the bottom of the barrel he lifted out a bag on which was lettered "$5,000." From the bag he counted out fifty gold double eagles and handed them to the agent. He then put the bank notes in the bag with the remainder of the gold and put the bag in the bottom of the barrel and then put back the potatoes.

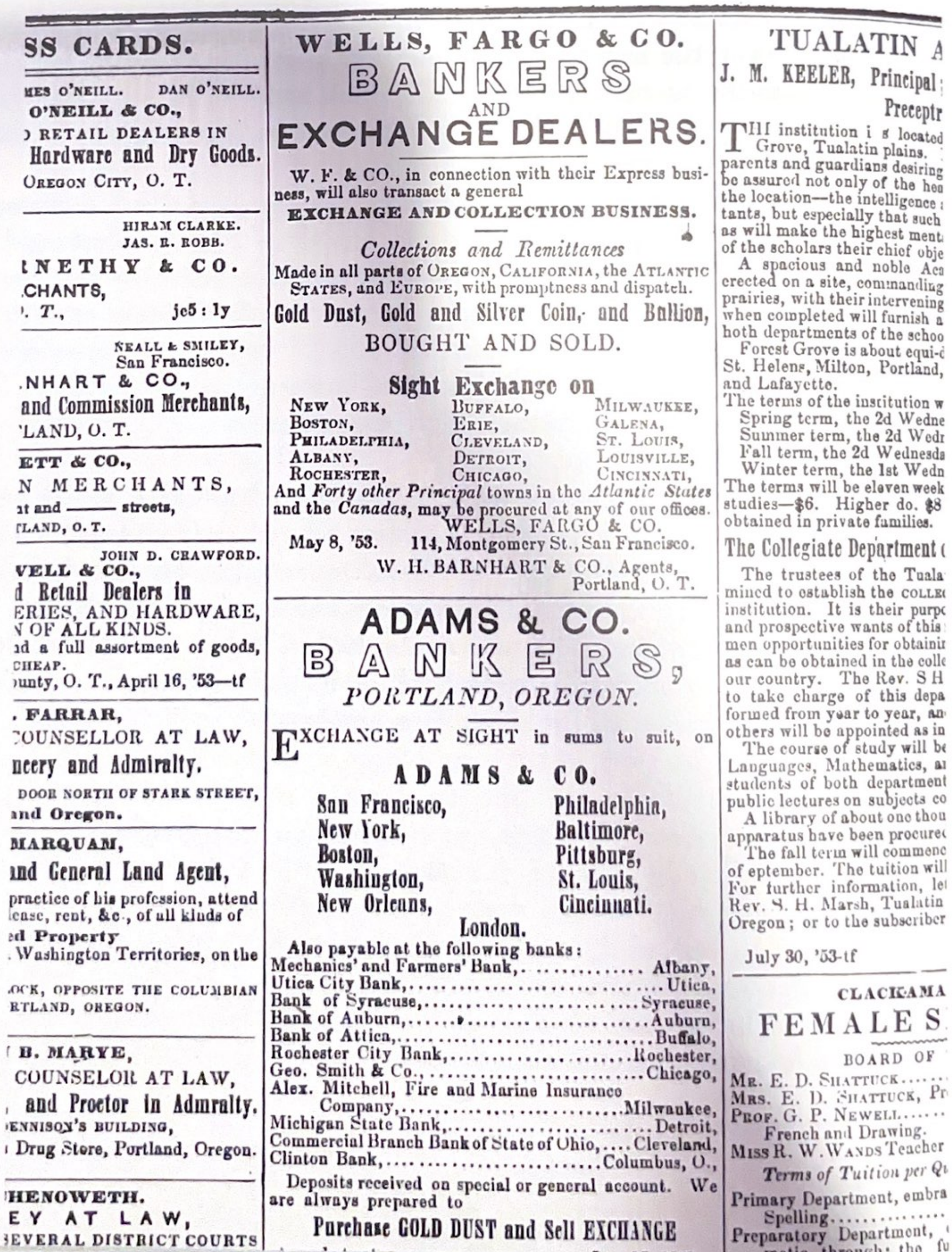
The agent expressed his appreciation for the accommodations and offered to pay for supper and breakfast. But the blacksmith refused to accept any payment, saying, "You are the first man who has ever found the Bank of Morocco, and if you keep the location to yourself you are welcome to all I have done for you." This the agent promised to do.

It is probably fortunate that business was not brisk at the Bank of Morocco. The process of locking and unlocking the "vault" would have worn out the potatoes.

The "paper" town of Morocco survived and grew slowly over the years. It is now a small city with a population of approximately 1,200. But what happened to the Bank of Morocco is not known. The Indiana State Department of Financial Institutions has no record of the bank. In 1889, the Farmers State Bank was established in Morocco, but this clearly had no connection with the old Bank of Morocco. The ultimate destiny of the "Potato Barrel Bank" remains unknown.

THAT CRAZY FRENCHMAN

Louis Remme's desperate ride from Sacramento to Portland to recover his bank deposit



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The terms will be eleven week
studies—$6. Higher do. $8
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Advertisements of Wells Fargo and Adams & Company from the Weekly Oregonian 1854.

Remme was quite pleased with the successful conclusion of an arduous cattle drive, but this comfortable feeling would soon turn to panic.

The first institutional banking in the Oregon Territory was done by the pioneer express companies. Without doubt, individuals, capitalists, and business firms loaned their own funds and sold exchange long before the express companies began the business of deposit banking.[1]

The combination of banking and the express business was a natural and even inevitable development; facilities for the safekeeping of money and treasure was a necessary adjunct of the express business and these same facilities could be used in banking. Moreover, the companies had branches everywhere which made possible and convenient the profitable sale of exchange.

Adams & Company began an express business in Portland in 1851 through an agency known as Todd & Company, which was authorized to draw bills of exchange on all Adams & Company branches in the United States and in London at the "usual" rates. In April 1852, Adams & Company established a branch office in Portland which was managed by Newell & Company. In October 1852, Wells Fargo established an office in Portland and advertised themselves as "bankers and exchange dealers." Both Adams & Company and Wells Fargo accepted deposits "on special or general account."[2] A special deposit was simply a safekeeping arrangement; the depositor placed his gold or other valuables in a pouch with his name on it and this pouch was returned to him on demand. This was warehousing rather than banking and the depositor paid a fee for the service. A "general" deposit involved merely an obligation by the express company to return an amount equal to the deposit on demand by the depositor, but there was no obligation to return the specific property deposited. Legally, a general deposit was a loan by the depositor to the company and, of course, had to be expressed in terms of money; a special deposit might be any type of valuable property, such as gold nuggets or a watch.

[1] In 1851, the mercantile firm of Couch & Company of Portland advertised themselves as "bankers, wholesale and retail merchants" and sold exchange on New York and San Francisco.

[2] James H. Gilbert, *History of Banking in Oregon* (Chicago, 1927).

During the Oregon Constitutional Convention of 1857, there was some discussion of the practice of Wells Fargo of issuing certificates of deposit. There were differences of opinion as to whether or not the proposed banking article of the constitution would serve to prevent the issuance of such certificates by the express company. Although the issue was not really settled, some delegates believed that the new constitution would not prevent this business since these certificates of deposit did not circulate as money. The discussion by the delegates does not indicate any feeling of animosity toward Wells Fargo; indeed, it appears that the proponents of the banking article were rather pleased to think that the deposit banking operations of Wells Fargo would not be impeded by the proposed constitutional provision. This is somewhat surprising since only two years before, in late February 1855, the well-known express and banking firm of Adams & Company had failed with substantial losses to creditors. No information is available concerning losses to depositors in the Portland branch of the company, but they must have been sizable since the firm had been accepting deposits since 1851. It would not have been amazing if some opposition to deposit banking had developed as a result of the Adams failure, but it is clear that the delegates to the convention regarded with favor the operations of Wells Fargo.

On February 18, 1855, the steamer *Oregon* arrived in San Francisco with the news that Page, Bacon & Company of Saint Louis, parent bank of a San Francisco firm of the same name, had suspended business because of heavy involvement in the financing of the Ohio & Mississippi railroad. This news inevitably caused a "run" on the San Francisco office of the firm and on February 22, almost all of the San Francisco banks suspended. In the meantime, excitement had spread to other California cities and on Friday, February 23, 1855, there was a general suspension. For reasons that are even now not entirely clear, Adams & Company was considered to have some connection with Page, Bacon & Company and so the firm was viewed with particular suspicion. The Sacramento branch of Adams & Company suspended on February 23, 1855,[3] with the following announcement:

> The undersigned, resident partner of Adams & Company of California, in view of their suspension of payment this day, deems it his

3 Thereafter known in California as "Black Friday." In the national sense the term "Black Friday" is used in connection with the onset of the financial panic in the summer of 1869 which resulted from the attempt on the part of James Fisk and Jay Gould to corner the gold market.

duty to present . . . a brief statement of the causes that led to this calamity. . . .

It is well known that the demand for gold for shipment has for many months far exceeded the supply of dust from the mines; to meet this deficiency, coin has been withdrawn from the circulation of the country at about the rate of one million dollars per month, leaving scarcely sufficient for the most ordinary wants of business, and producing an unparalleled and increasing pressure.[4]

The affairs of Adams & Company dragged through the courts for some years.[5] Fraud was alleged, but it is not now clear whether this fraud was committed before the suspension or involved the subsequent dissipation of assets during the controversial receiverships. In any event, the affairs of the company were hopelessly entangled and the California partner fled to Australia. Settlement was impeded by inadequate bankruptcy statutes which made it possible for some fast-moving creditors to levy on particular assets and thus receive payment in full; another complication was that in some cities in California, mobs broke open the vaults and appointed extra-legal "receivers" or "tellers" who paid out the funds to those who presented evidence of ownership. But except for the few vigorous and lucky creditors, losses were substantial and hostility toward the firm was intense.

Some of the officers of the bankrupt firm attempted to salvage the express business but the effort was unsuccessful. As a result, Wells Fargo obtained almost a monopoly of the express business in the coastal states.

Wells Fargo came through the financial debacle with its reputation undamaged and perhaps even enhanced. The firm was compelled to suspend for a few days, but soon reopened and made no restriction on payments. Although it cannot be documented, it is said that the firm's temporary suspension was because it lacked sufficient coin even though there was an ample stock of gold bars and gold dust.

At the height of the panic, cattleman Louis Remme made an epic ride from Sacramento to Portland and succeeded in withdrawing his deposit from the Portland office of Adams & Company before news of the failure reached the city on the Willamette.

[4] Quoted from O. O. Winther, *Express and Stagecoach Days in California* (Stanford, 1936.

[5] The failure of Adams & Company and subsequent litigation is described in Winther (*op. cit.*) and in *Treasure Express* by Neill C. Wilson (New York, 1936), as well as *Old Waybills* by Alvin Harlow (New York, 1934).

Remme, a French Canadian who ranged cattle in the Rogue River country of Oregon and in Northern California, had just completed a drive of cattle down the Sacramento Valley; along the way he exchanged cattle for gold as opportunity offered. The last of the herd was sold in Sacramento and he found himself with $12,500 in gold. This amount he promptly deposited at the Sacramento Branch office of Adams & Company, accepting a certificate of deposit in exchange. With relief, and satisfaction with the successful conclusion of the venture, he found a comfortable room at the Orleans Hotel. We can suppose that Remme was quite pleased with the successful conclusion of an arduous enterprise, but this comfortable feeling would soon turn to panic. Without doubt he slept soundly for the first time in weeks; a soft bed in the hotel was very much to be preferred to a bedroll on the ground beside the trail. This was February 1855, and outdoor living in Northern California would not have been comfortable.

The following day, after a leisurely breakfast in Marius Bremond's restaurant adjoining the hotel, he left for San Francisco on the boat. He remained in San Francisco for about a week enjoying himself and taking life easy after strenuous weeks in the saddle. He was still in San Francisco when the *S. S. Oregon* arrived with news of the suspension of Page, Bacon & Co. in St. Louis, parent bank of a California bank of the same name. The news did not immediately alarm him for he considered that Adams & Co. would survive even if Page Bacon might have to suspend.

But in the following days, as he watched the milling crowds around the banks and express offices and as he listened to the rumors of suspensions and possible reopenings, his anxiety grew. He determined to return to Sacramento on the boat and to convert his certificate of deposit to gold —just to be safe. He left San Francisco on the night boat. In Sacramento he went immediately to the office of Adams & Company at 26 Second Street. Here he found confusion and chaos; there was loud talk in the crowd milling around outside the door. When Remme presented his certificate of deposit he was told by the cashier, "You will have to see Cohen" [the receiver]. His attitude and manner did not seem to offer hope. It was quite clear that nothing would be gained by standing at the counter. If his funds were to be recovered, he must do something other than to merely wait in line and hope. But what?

His first thought was to ride to Marysville or some other town where there was an office of the express company. But it did not require much analysis to realize that the news that had just arrived in Sacramento must already be in Marysville; in fact the news would have arrived in every

town where there was an Adams & Company office. But then he remembered; there was a company office in Portland—and since telegraph facilities did not exist, it would be many days before news of the suspension would reach that city. If, somehow, he could get to Portland before the news arrived, he was confident he could recover his gold.

He knew that the Pacific Mail Steamship *Columbia* was to leave San Francisco for Portland soon, but he gave only momentary consideration to the possibility of catching the steamer—the news of the failure of Adams & Company would ride along with him. In Portland he would find the same clamoring crowds and excitement that now gripped Sacramento. But he would be unable to withdraw his deposit unless he could manage somehow to be the first one off the steamer. This seemed a slight possibility.

Because of Indian depredations between the Klamath and Rogue rivers and in the Pit River Country, as well as lack of passable roads, there was no stagecoach service between Sacramento and Portland. Even if such service had been available it would be slower than the steamer; and the news would ride with him. Clearly, if he were not to lose the entire proceeds of several years hard labor he had to ride to Portland and try to beat the steamer. It would be a hard ride but there was no alternative.

Once he had made a decision he did not hesitate. A stern-wheeled riversteamer was just starting upstream for Knights Landing, forty-two miles away. Remme barely made it. At Knights Landing he purchased a horse and headed for Grant Island where he traded for a fresh horse with Judge Diefendorf. This was familiar country to Remme and he had many friends on ranches and in small towns. Near Marysville he made another change of horses, but now he was not trading with an old friend and had to pay a bonus plus his winded horse. He rode until ten o'clock at night before he reached Red Bluff; here he took a few precious minutes to eat and rest his horse. Twenty miles north of Red Bluff, he found a campfire gleaming in the darkness. Here he was challenged and told to declare his business. This was to be expected; after all, a night rider in this stock country was open to suspicion. Remme thought quickly; he was not anxious to disclose his real business and even if his challengers did not have money deposited with Adams & Company, they might not be entirely sympathetic with his purpose—or worse yet, they might not believe him. Without too much hesitation he declared that he was a stockman and after a horse thief and needed a fresh mount.

This story aroused the sympathy of the campers who provided a fresh horse and helped him to shift his saddle to the fresh mount. The story

of the fleeing horse thief was to prove useful in the hard journey ahead.

Dawn found him at Tower House on Clear Creek where he took time for breakfast. Here roads ended and there was no alternative but to pick his way carefully over the rocks around the Trinity Mountains. This was no country for "hell-for-leather" night riding; it was fortunate indeed that he could travel this portion of the road in daylight. This was also the beginning of the high country, and cold winds and snow swirled down from the mountains and through the canyons and chilled him to the bone. Progress was much slower because it was necessary to swing back and around the headlands and sometimes the only way through was by way of a canyon that swung to the east or west; he sometimes had to ride several miles to get one mile further north. Night found him at Trinity Creek where he found a fresh mount. Morning found him at Scott Valley to the west of towering Mount Shasta. It is doubtful if Remme was in any mood to appreciate the grandeur of the scene. However, there is some limit to human endurance and even the magnificent body of the French Canadian demanded rest. In Scott Valley he slept until noon.

Since this was familiar country to Remme, it may be presumed that he chose the easiest route. But it was somewhat west of the present U.S. Highway 99 from Redding to the Oregon border and does appear to be rough country. There was really no easy way. The year 1855 was a year of Indian troubles in Oregon and northern California, and it is possible that he deliberately chose a more difficult route in the hope of avoiding encounter with hostile Indians.

From Scott Valley he slowly picked his way to Callahan's; from here the going was a bit easier as he shifted his course to the northeast toward Yreka. He stopped briefly in Yreka and borrowed a horse from Horsley & Brastow's Mountain Express; four hours later he reached the Oregon border. His next stop was the southern Oregon mining town of Jacksonville. Here he ate and managed a few hours sleep. Then on a fresh horse he set out again. In a few hours he was in the pioneer settlement of Dardanelles, near the present town of Gold Hill. Once more he borrowed a fresh horse and pressed on.

Now he was again confronted with mountains and possible Indian attack. He had been warned about Indians and kept a sharp lookout. Riding through a narrow pass near Wolf Creek, he was fired on by Indians but fortunately their aim was bad and his horse was fresh enough to outdistance the redskins. In a little while it was apparent that the worst of the road was behind him. At Winchester Village at the tavern of Joe

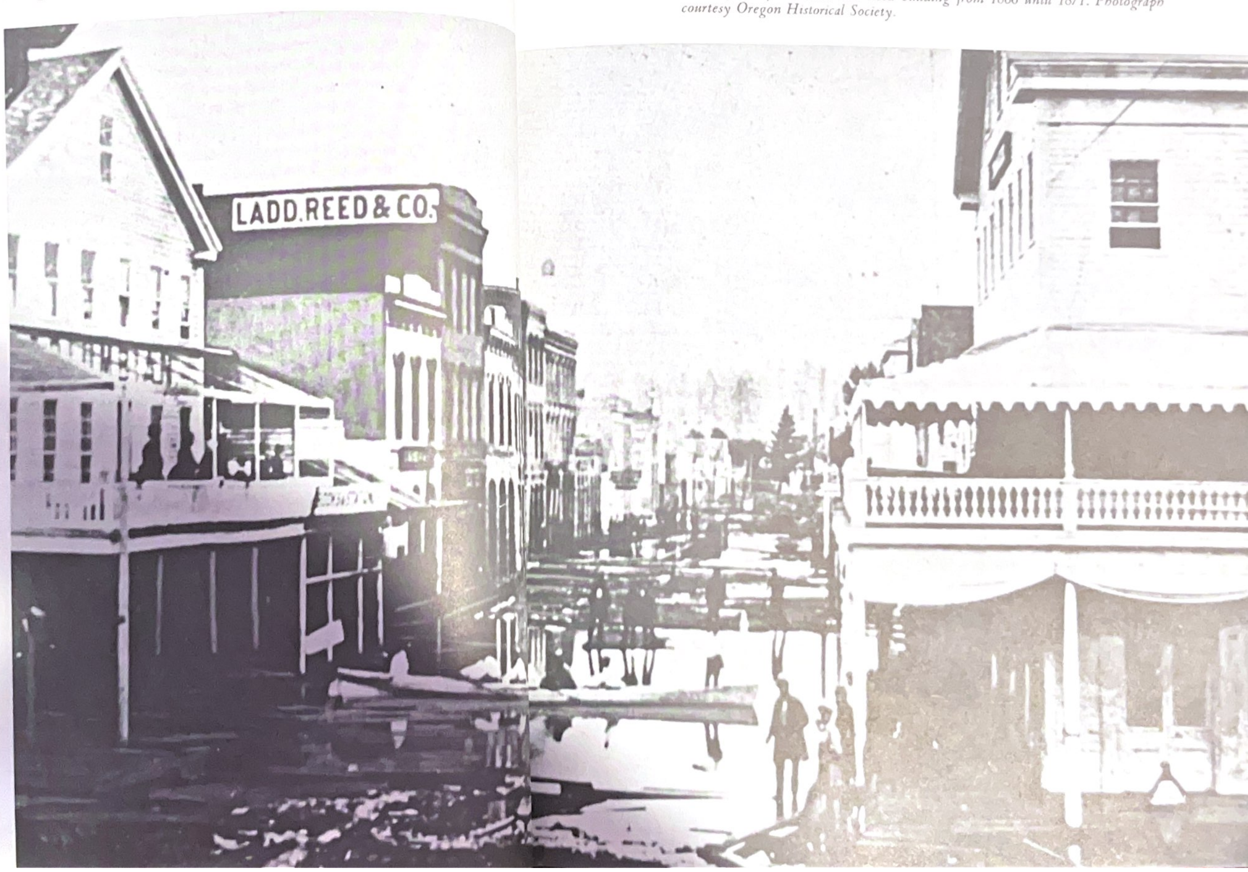
Knott, he ate and then slept for a few hours. Now the worst of the trail was behind him he faced the inevitable winter rain of Oregon. But Remme considered this to be no more than a slight inconvenience after the rigors of the past days and nights. In the Yoncalla Valley at the cabin of the Oregon pioneer, Jesse Applegate, he found encouragement as well as a fresh horse. But now the difficulty was not mountains, hostile Indians, and dead-end canyons, but deep and sometimes nearly impassable mud. Pass Creek, he reflected, was badly named for it seemed nearly impassable, the mud was so deep. Near daybreak, he galloped through the muddy streets of the little settlement of Eugene City and on some dozen miles to the farm of John Milliron west and south of the present Junction City. Here he enjoyed a short breakfast and exchanged his spent horse and $5.00 for a fresh mount.

Later in the day he crossed the Willamette River at Peoria. This was the fifth day on the trail and the rain stopped and the day became clear and crisp with a bright sun. Snow-covered peaks of the Cascade range could be clearly seen. All that night he rode. He had breakfast in French Prairie, a little way from the present Salem. This settlement was established by retired French Canadian trappers of the Hudson's Bay Company, and we may suppose that Remme found friends here. Again he traded horses and paid the standard "boot" of five dollars.

At half past ten of the sixth day he was in the territorial capital of Oregon City at the "falls of the Willamette;" at noon he was in Milwaukie where he crossed the Willamette by ferry. By one o'clock he was in Portland. He left his horse at Stewart's stable where he asked two essential questions: Where is the Adams & Company office? Is the steamer in from California? He was told that the steamer had not yet arrived, although it was expected later in the afternoon. This was welcome news, but he did not tarry.

He found Dr. Steinberger, the agent for Adams & Company, just reopening the office after returning from lunch. Pausing a moment to appear as unhurried as possible, he inquired whether he could cash a certificate of deposit on the Sacramento office of Adams & Company. "Well," said Dr. Steinberger, "it will cost you one-half of one per cent for all amounts over a thousand dollars." "That's all right," replied Remme, "I'm a cattle buyer and I need the money." The certificate of deposit was then presented and the agent paid in gold coin, carefully withholding the commission of $62.50. Remme took the money to a hotel where he obtained a room and saw the money safely locked in the safe. Then, with a receipt in his pocket, he went out on the street to await developments.

The business district of Portland, 1873, when the population totaled 12,959 (including 500 transients). The First National Bank of Portland was located on the second floor of the Ladd and Reed building from 1866 until 1871. Photograph courtesy Oregon Historical Society.



When the steamer docked he was sure that there would be clamoring crowds and excitement. He wanted to see it.

According to the usual version,[6] the steamer docked within a short time after Remme had withdrawn his deposit. According to this version, the purser of the *Columbia*, Ralph Mead, leaped to the dock before the skipper could get his lines ashore, rushed to the Adams & Company office and succeeded in withdrawing $950 that he had on deposit before news of the parent bank suspension reached the office. But this story

[6] The most complete version of the story of the ride of Louis Remme is found in *Treasure Express* by Neill C. Wilson (New York, 1936). But Wilson does not give the source of the story. He does indicate, however, that most of his work was done in the Bancroft Library of the University of California and in the library of the Wells Fargo Bank.

None of the dictated reminiscences or other materials cited from the Bancroft Library contain any mention of Louis Remme. The Wells Fargo Library, however, contains a single newspaper sheet (Catalogue #5399D) that relates the story in great detail. The heading of the newspaper account is "Remme's Great Ride, A Reminiscence of the Adams & Co. Failure Twenty-seven Years Ago." But neither the name of the newspaper nor the date is shown. On the basis of the probability that this was a Portland paper and on the basis of the clue of "twenty-seven years ago" I have been able to identify it as a front page story in the Portland *Oregonian* of Feb. 12, 1882. It is quite clear that this is the source of the story as told by Wilson; indeed, he follows parts of the story almost verbatim. It is quite clear that later writers, such as Hungerford, have simply followed Wilson.

Unfortunately, Wilson did not follow the *Oregonian* account in some essential particulars and these deviations result in some discrepancies when checked against known facts. According to Wilson, for example, Remme left Sacramento on the day of the Adams & Co. closure, which was February 23. He was six days on the trail which would have put him in Portland on March 1, 1855. But the clear evidence is that the *S. S. Columbia* did not arrive in Portland until March 7, 1855. The *Oregonian* source makes clear that Remme was in San Francisco on the day of the closure of Adams & Co., and that he then went to Sacramento in the vain hope of withdrawing his funds. This would have meant that he left Sacramento perhaps as late as March 1.

The *Oregonian* account occupied most of the front page, but the author is not shown. How authentic is the account? It is proposed that the account is in fact authentic for the following reasons: (1) It is unlikely that Harvey Scott, the editor of the *Oregonian* would have permitted fiction masquerading as fact on his front page. (2) The account is internally consistent and squares with many known facts. It is most improbable that such a story could have been manufactured by a clever fiction writer. It is related, for example, that Remme stopped at the farm of John Milliron some dozen miles north of Eugene City and obtained breakfast and a fresh horse. John Milliron did, in fact, have a farm about this distance north of Eugene; he was a substantial and respected citizen of the community, but it is unlikely that he was well known outside of Lane County.

seems somewhat improbable. The purser must have been known to Dr. Steinberger and he would have considered it strange indeed that the purser of a vessel just docking would want his money so desperately. Steinberger knew, of course, that news from California and the Atlantic states was carried by the steamer, and he probably would not have cashed certificates for anyone after the booming cannon announced the arrival of the vessel! At least, he would have delayed until he had an opportunity to review instructions and dispatches from the head office in San Francisco.

Then, there seems to be some doubt that the steamer *Columbia* arrived during regular business hours. According to an account in the *Oregonian*, the *Columbia* docked at nine o'clock at night. If this account is accurate, the purser could not have succeeded in withdrawing his funds. This *Oregonian* story mentions "considerable excitement" but there is no mention of Louis Remme. This is quite understandable. Remme withdrew his funds before the "considerable excitement" developed. This *Oregonian* account carried in the issue of March 10, 1855, was as follows:

> The P.M.S.S. company's steamer *Columbia*, Captain Dall, arrived at nine o'clock on Wednesday night with the Atlantic and California mails.
>
> The City was thrown into considerable excitement on the arrival of the steamer in consequence of the news of the suspension or failure of several large banking houses in San Francisco, some of which had branches here. It seems that Page, Bacon & Company, Adams Company, Wells Fargo, Robinson's Savings Bank, Wright's Miner's Exchange Bank had suspended. The most of these houses, however, show by their exhibits a large overplus beyond their liabilities. The result has been that depositors have withdrawn their deposits, thereby destroying confidence. It is said, however, that depositors will eventually be paid dollar for dollar.

Louis Remme had made his epic ride and had succeeded in his mission. But this does not mean that under usual and ordinary circumstances a man on horseback could beat a steamer from California to Portland. What Remme did not know was that because of the threat of Indian troubles the *Columbia* carried two companies of soldiers as well as supplies to reinforce the posts on Humbolt Bay and at the mouth of the Rogue River. The *Columbia* was delayed by the necessity to put in and unload at these two places. Remme was luckier than he knew. There is,

however, some doubt that the lean and wiry French Canadian did in fact make this long ride in six days. This is because there is some confusion concerning the date of leaving Sacramento as well as the date of arrival in Portland. According to one account (Wilson), Remme left Sacramento on February 20, 1855. This seems most unlikely; Adams & Company was under pressure but did not finally close until February 23, 1855. The *Oregonian* story of March 10, 1855 (Saturday) said that the *Columbia* docked "at nine o'clock on Wednesday night." This would presumably be March 7, 1855; and would mean that if Remme left Sacramento on February 23, he was twelve days on the trail. There is at least the remote possibility that when Editor Dryer wrote "at nine o'clock on Wednesday night" he meant the previous Wednesday, March 1, 1855. The editor might not have had an opportunity to review the news from California until Thursday and perhaps then, as now, the Saturday paper was printed on Friday. If so, he might not have been able to get the news of the California financial debacle in print for the March 3 issue. If the steamer did arrive on March 1, it would be consistent with usual versions of a six-day ride.

The books and accounts of the Portland office of Adams & Company have been deposited in the library of the Oregon Historical Society. In these records, there is an entry to record the cashing of a draft for $6,000 for one "Lewis C. Ramey," with a commission of $30.00 representing one-half of one per cent. The date of the entry is March 2, 1855. It is quite likely that "Ramey" was Louis Remme and that either the draft was made payable to "bearer," or that the teller in the Sacramento office of Adams & Company had spelled the name phonetically; this misspelling must have been a familiar experience to the Frenchman and perhaps he did not protest. It would seem clear that if "Ramey" or "Remme" cashed the draft on March 2 that the steamer could not have arrived on the previous day.

Additional evidence that the date of arrival of the steamer was March 7 is found in a long letter to the editor which appeared in the same March 10, 1855 issue. This letter was from a friend in California and described the panic in great detail. It is dated February 25, 1855, a date made credible by the fact that events subsequent to the general suspension of February 23 are accurately related. If, as seems probable, this date is correct, the steamer must have arrived on March 7, because it would have been impossible for the *Columbia*, with two intermediate stops, to have brought this letter from California to Portland between February 25 and March 1. About all that is certain is that the timing is confused;

perhaps Remme was more than six days on the trail, although it seems unlikely that he was on the trail twelve days.

The evidence of the Adams & Company accounts would appear to indicate that at least in some particulars the story of the ride of Louis Remme has grown a bit with the telling. The amount involved would seem to have been $6,000 rather than $12,500. It would also appear that he did not just barely beat the steamer to Portland but that he arrived five days ahead of the steamer. But even with these corrections it was still an epic ride.

But the luck of Louis Remme ran out four years later. In 1859, he set out with a herd of cattle from the Rogue River country for Yreka. His timing was bad and the passes of the Siskiyous were blocked with snow. Perhaps if he had immediately turned back disaster could have been avoided; but Louis Remme was not a man to turn back. The snow became deeper and he probably reached the point where he could not turn back. This time he did not survive the bitter cold and icy blasts of the winds off Mount Shasta.

The epic ride of Louis Remme became a legend in early Oregon. Perhaps the story improved with age and retelling. Indeed, the story fails in very few particulars to square with the known facts of history (such as the date of arrival of the steamer in Portland). But clearly it is not fiction; in its essential details it is entirely consistent with known developments following the California bank panic of 1855. The geographical details (such as the precise location of the farm of John Milliron) could hardly have been known to a mere teller of tall tales.

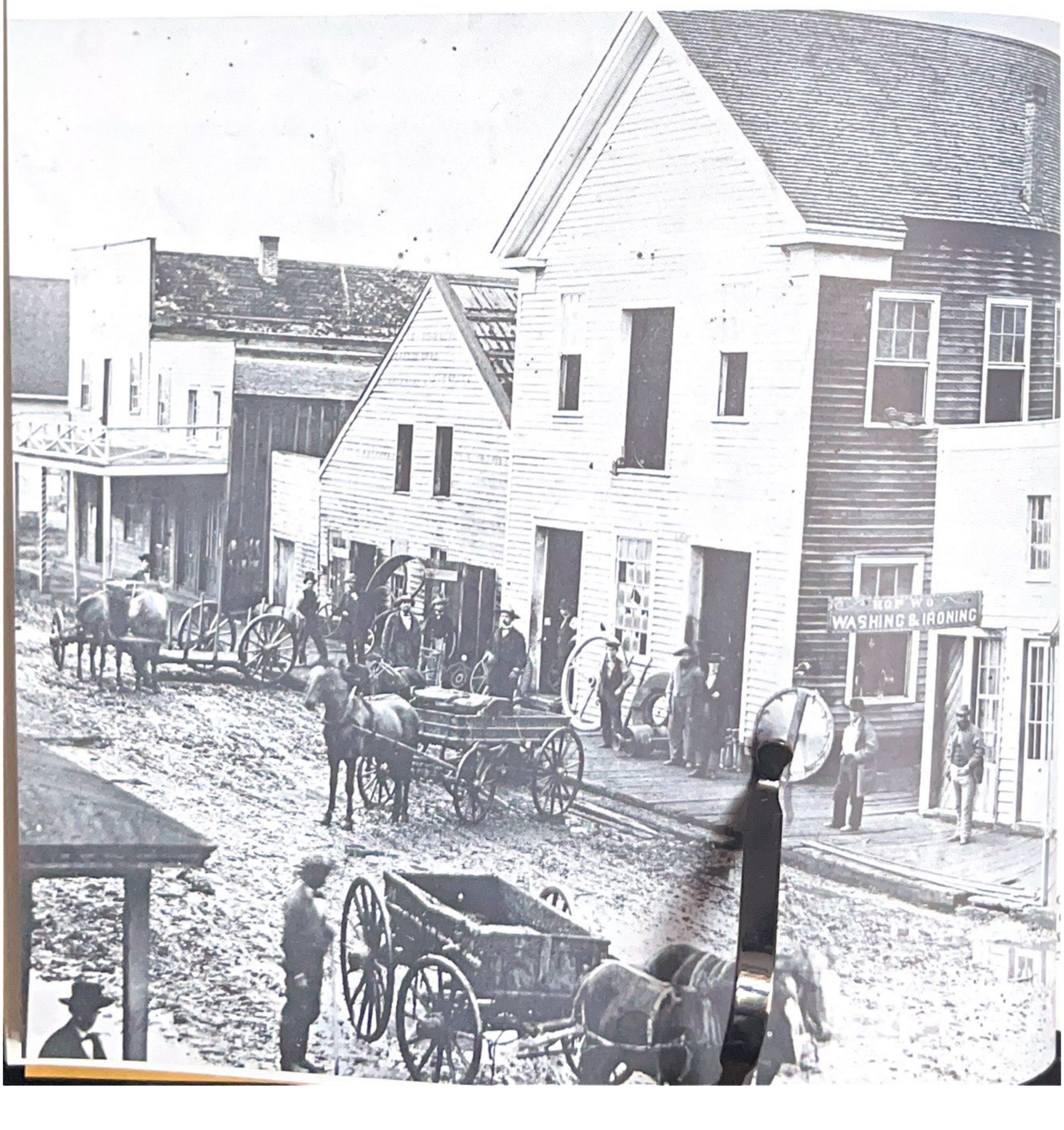
It was the kind of legend that was especially appealing to the lonely settlers on the Long Tom, the Calapooya ,or the Umpqua. These men had no love for banks, especially after 1855. Here was the story of a man much like themselves who, with great effort, had outsmarted the wicked bankers. They chuckled and slapped their thighs as they retold the story.

When men in remote cabins awoke at night to the clatter of hoofbeats in the distance they rolled over in bed and said to themselves or to their families: "There's that crazy Frenchman going to Portland after some more money. Wonder if he'll beat the steamer this time?"

LADD & TILTON, BANKERS

the rise and decline of a fortune

Portland, west side of First Street, south of Morrison, about 1857.



William S. Ladd was a young man in a hurry. He came to the Oregon Territory to seek his fortune and he well understood that this meant both risk and hard work.

On the eighth of April 1851[1] an able and ambitious young man from New Hampshire arrived in Portland, Oregon, by ship, after an arduous journey from Boston by way of Panama and San Francisco. Perhaps it was raining in Portland when William Sargent Ladd came down the gangplank, but if so he was not discouraged. He was only twenty-five years of age, but he had a varied background of experience; he had worked on a farm; he had taught school, and for several years he had been a freight agent on one of the lines that became the Boston and Maine Railroad.[2]

As was the custom of the time, he brought his "character" with him in the form of at least one "To Whom it May Concern" letter, testifying to his character and capacity. This read as follows:

> To Whom It May Concern:
>
> This certifies that the bearer, William S. Ladd, is a young man of regular and industrious habits, of good moral character, and qualified to do any business in which he shall consent to be engaged.
>
> C. Curtice, Pastor
> of the Congregational Church
> Sanbornton Bridge, N. H.
> February 20, 1851[3]

[1] This is the date usually given, but the *Oregonian* reports no arrivals on April 8. But the P.M.SS Company's steamer *Columbia* is reported to have arrived on April 7, 1851. Perhaps the youthful Mr. Ladd saved the cost of a night's lodging by remaining on board overnight.

[2] There is relatively little biographical material on William Sargent Ladd. In Vol. 7 of the *National Cyclopedia of American Biography* there is a brief account of his life. The *Oregonian* of Jan. 7, 1893 contains an obituary. A short biography of his son, William M. Ladd, was written by William L. Brewster and published by the Metropolitan Press, Portland, Oregon, in 1933; this brief book includes some material on William S. Ladd. The well-known Bancroft series, *Chronicles of the Builders* (1892), also includes a brief biography of the elder Mr. Ladd.

[3] Ladd papers in the library of the Oregon Historical Society.

Photographs by Oregon Historical Society.

William S. Ladd was a young man in a hurry. He had not come to the Oregon Territory to find employment and to work out his years and eventually to retire on a pension. A hundred years before he would have been described as a "merchant adventurer." He had come to seek his fortune and he well understood that this necessarily meant both risk and hard work. He was destined to play a significant role for nearly half a century in the business and economic development of the Pacific Northwest. But he was only briefly and temporarily an employee; at one time he "worked out" his road tax by digging out stumps on Front Street. He was a salesman for J. Failing & Company and for H. W. Corbett. But his tenure as an employee was a brief one. Very soon he began his business association with a new Hampshire friend, Charles E. Tilton, in a merchandising business under the name of W. S. Ladd & Company. This was a partnership that would last for many years and be mutually rewarding and happy.

The Portland of 1851 was little more than a frontier village and had only recently been incorporated. There were only one hundred and forty men of voting age in the new city. But it was the trading center for a large area and the most important port in the United States north of San Francisco. The young Mr. Ladd must have appreciated something of the potential of the region.

Nearly all the business buildings were one-story shops along Front Street, facing east along the river. Two or three streets back of Front Street had been partly cleared and held a few more business buildings and residences. But Portland was not then the largest city in the Territory. The largest and best known city was Oregon City, a few miles up the Willamette. The streets were, of course, dusty in the summer and muddy in winter and spring.

The business association with C. E. Tilton was a rather unusual one. Not very much is known of Mr. Tilton except that he was a New Hampshire friend of Mr. Ladd. He was evidently a man of some wealth, at least a part of which had been accumulated in the China trade. He was never a resident of Oregon, although he was for a long time a resident of San Francisco and visited the Oregon country frequently. He was also in the late 1870s associated with Levi Ankeny in the establishment of the First National Bank of Walla Walla. While he was not an active partner, neither was he a silent partner; he kept in touch with the enterprise and frequent letters passed between him and Mr. Ladd.

That he was perhaps a somewhat whimsical fellow is suggested by an account of his behavior which appeared in the Ladd and Bush quarterly

for July 1912. The partnership of Ladd and Tilton had a half interest with Asahel Bush in the Salem Ladd and Bush Bank. On one occasion, Mr. Tilton visited the Ladd and Bush Bank on one of his trips to Oregon, and it happened that at that time Mr. Bush was on a trip to the eastern states. The prankish Mr. Tilton took advantage of the absence of Mr. Bush and proceeded to "guild" the vault which at that time stood out prominently in the banking room. When Mr. Bush returned he found a yellow or semi-golden vault staring at him. It was not attractive and was quickly repainted.

Soon after the arrival of Mr. Ladd in Portland, the co-partnership of Ladd and Tilton began a mercantile business and in 1853 began the construction of the first brick building in Portland at 105 Front Street, which was at that time a central business location. In 1857 a second story was added. After a time this mercantile partnership was dissolved and still later, in 1859, the two men again associated themselves together in a co-partnership for the purpose of establishing the first enterprise in Oregon with the word "bank" in the title.[4]

There does appear to have been some indecision concerning the precise name of the new enterprise. The bank's letters were written on plain ruled paper without any heading at all. But the headings written by Mr. Ladd varied considerably; sometimes it was "Banking Office of Ladd and Tilton"; sometimes it was "Banking House of Ladd and Tilton." The first printed checks carried the title, "Ladd and Tilton's Bank of Oregon." But after this brief period of indecision, the name "Ladd and Tilton, Bankers" was adopted. This name would endure.

We do not know how the initial capital of $50,000 was divided between the two men, but it is clear that final decisions were those of Mr. Ladd. From San Francisco, Mr. Tilton occasionally offered comment and advice. Two weeks after the bank opening on June 1, 1859, Mr. Tilton offered the following sober advice.

> Let us take a safe and straight course in all our business dealings. Tell a man what we can do; tell it to him after our minds are fully made up, and then stick to it! Such a policy appeals to everyone, and makes friends; and, as we are now starting in the banking business, let us gain this reputation for the bank. We must be prompt in meeting every obligation. . . We must be jealous of our credit at home and

[4] Other enterprises, notably the express companies, had engaged in buying and selling exchange and in accepting deposits, but this was the first local enterprise that was actually called a bank.

abroad. It is a pleasure to do business with a man who is cautious of his credit, but very disagreeable to have relations with one who is slack and careless in this respect. These are matters, I think, for us to regard with seriousness, and to observe with the greatest care at this time. You know how easy it is to create an impression, either favorable or otherwise, at the start, and people are governed largely by their first impressions.[5]

The banking business conducted by Ladd and Tilton at 105 Front Street differed greatly from modern banking practices. These differences involved more than differences in record keeping techniques and office practices. As was typical of banks of the period, the capital was large in relation to deposit liabilities. The initial capital of the enterprise was $50,000, and this was greater than the total deposits at the end of the first year of operation. At December 31, 1861, deposits had increased to $113,344.36, but very shortly the capital was increased to $150,000 by the admission of Mr. Stephen Mead, a cousin of Mr. Ladd. Even as late as 1880 when Mr. Tilton and Mr. Mead sold their interests in the firm to Mr. Ladd, the capital was approximately equal to the deposits.

The new Ladd and Tilton Bank, like other banks of the time, especially western banks, emphasized the purchase and sale of "exchange" on other cities. Very probably the premium on the sale of exchange or drafts on banks in other cities was an important source of revenue. But it was a problem to maintain balances in banks in various cities in a manner that would correspond to demand for exchange on these cities. The average time for transmission of a letter to New York under favorable circumstances was from forty to forty-five days by steamer via Panama, thence by rail across Panama to the Atlantic and then by steamer to New York. From Portland to San Francisco by steamer required from six to nine days. Pioneer bankers were compelled to weigh the dangers of shipwreck and fire on the one hand and Indians and highwaymen on the other. In order to establish balances in banks in other cities it was sometimes necessary to ship coin and this might be expensive because of shipping and insurance charges. In theory, at least, it might be possible to maintain a sufficient balance in, say, San Francisco, if customers of Ladd and Tilton deposited a sufficient volume of funds in the form of drafts drawn on San Francisco banks. The following letter from Mr. Ladd to an insurance agency in New York explains why he did not ship coin to San Francisco and there-

[5] *Sixty Milestones of Progress*, published by the bank in 1919.

fore require insurance coverage. It also affords some estimate of the magnitude of this business in the first month of operation of the new bank.

Portland, Oregon
20th June, 1859

Messrs. Howland & Aspinwell
New York
Gentlemen:
Your favor of Nov. 20th and December 6th come to hand 1st of February last. Circumstances were such that we did not commence our business as soon as was anticipated when our Mr. Tilton called on you last October. We commenced business on the 1st. inst. and find that our remittances to San Francisco will be about fifty to sixty thousand dollars per month. We are forced to purchase Government Drafts for our remittances, for the reason the Express companies have a messenger on each steamer, and these messengers have their own safes and carry their own coin, thereby paying no freight, if they insure. The Express companies—Wells Fargo and Freeman & Co. sell exchange at ½% to ¾% premium. In the event we ship coin and draw against it, we are compelled to pay freight, ½%, and insurance ⅜%, making the expense of our shipment ⅞%. For this reason we are compelled to purchase Government paper as above stated. In the event we ship Treasury [Treasure?] we will avail ourselves to insure through you, as advised.

Your obt svts.
Ladd & Tilton[6]

It is not entirely clear just what was meant by the term "government drafts" or "government paper." Quite clearly this did not mean postal money orders; these had not yet been developed and anyway the cost would have been prohibitive. So far as is known, no government agency was engaged in selling drafts. We can only tentatively suggest that this means the purchase by Ladd and Tilton of government checks drawn in favor of individuals or enterprises and drawn on either commercial banks or governmental institutions such as the United States Mint. Perhaps, for example, gold miners who delivered gold to the San Francisco Mint were given some sort of order or draft; such a draft might have been preferred to the minted coin for reasons of convenience. If Ladd and Tilton could buy these drafts, they could perhaps make remittances to

[6] *Sixty Milestones of Progress.*

their San Francisco correspondents by merely mailing these drafts. But it must be emphasized that this is only conjecture. It does seem quite clear that the established express companies had some competitive advantage over the new bank in dealing in exchange.

Another relatively important and profitable activity of the pioneer bank was collections. Businessmen in other cities were invited to use the facilities of the bank in the collection of amounts due on notes and other obligations by Portland customers. The bank would collect the amount due and after deducting its fee would remit the balance according to instructions. An early remittance letter of Ladd and Tilton reporting a collection of $525 with the bank's charge of $25.96 deducted follows:

Portland, Oregon
August 5, 1859

E. M. Barnum, Esq.
Cleveland, Ohio
Dear Sir:
Below please find statement for money collected from Mr. Baker, on your account, by his note due Aug. 1st;

Amt of note due Aug 1st	$500.00	
Int. 6 mo's at 10% per annum	25.00	$525.00
To Amt. sent S. A. Clarke, Salem	100.00	
Comm. for collet'g & Frd'g	10.00	
To our S. D.[7] No. 21 on Messrs Duncan Sherman & Co.	399.04	
Exchange on same at 4%	15.96	$525.00

While precise details are not available, it is quite clear that the asset composition of the Ladd and Tilton Bank did not correspond with classical banking theory. It was probably quite unlike the asset composition of other banks of that period. Perhaps the investments of other proprietory or noncorporate banks of the mid-nineteenth century were comparable, but certain it is that the asset composition of Ladd and Tilton did not fit into the concept of a diversified portfolio of self-liquidating commercial loans. Though full details are lacking, it is clear that a present day bank examiner would not be happy with the type of assets held by this pioneer bank.

[7] Sight draft (check).

It should, of course, be noted that the risk involved in such nonliquid investments was mitigated considerably by the high ratio of capital to deposits. At least in the early years and perhaps as late as 1880, the stockholder funds were substantially greater than the deposits, and it may be that the liquid assets bore a reasonable relation to deposits.

The Ladd and Tilton Bank did not hesitate to make substantial investments in the ownership of business enterprises and property, or alternatively in making very large loans to enterprises controlled or substantially influenced by Mr. Ladd. In some of these cases, the bank did not own a controlling interest but the individual holdings of Mr. Ladd and the holdings of the bank did comprise the control of the enterprise.

One of the examples of this direct investment in a business enterprise was the acquisition in 1868 by Ladd and Tilton of a half-interest in the new Ladd and Bush Bank of Salem. This presents the rather odd situation of a partnership becoming a partner in another partnership. Mr. Asahel Bush, the Salem partner in this enterprise, was a political leader and a decidedly forceful personality. It is just a little difficult to imagine two such dominant personalities as Asahel Bush and William S. Ladd being associated together in business without conflict. Perhaps part of the explanation is that the two banking houses were geographically separated and so, of necessity, Mr. Bush had to be permitted to operate the Salem enterprise without interference. But it was undoubtedly due in part to the recognition by Asahel Bush that he was not an experienced banker and that it would be wise for him to defer to Mr. Ladd's judgment in important matters of policy. The correspondence between the two men, especially in the period when the Salem bank was being planned, makes it quite clear that William S. Ladd was regarded as the one who would make the final decisions, although it was of necessity admitted that Mr. Bush would have to be responsible for the day-to-day administration of the bank. It is somewhat surprising to note that Mr. Ladd gave serious thought to using the name Ladd and Tilton for the new Salem bank rather than Ladd and Bush. No doubt he was persuaded to use the latter name because it would more closely identify the institution with the Salem community. The following letter[8] clearly portrays the dominant role of Mr. Ladd in the new enterprise:

[8] From the Ladd papers, Oregon Historical Society Library.

Portland, Oregon
June 13, 1868

Mr. A. Bush
Salem, Oregon
Friend Bush:
Your three letters of the 18th were rec'd today. The mail does not arrive until about 11 or 12 o'clock midnight.
Letter No. 1, you ask is it necessary for me [you] to be here to look after the construction of the building. This is not [sic]. But if you were going to be at Salem would expect that you would. The man who has charge of the building here[9] can take charge of that one in Salem. Will not be able to commence to build at your place before last of July or first of August . . . .
Letter No. 2; I, of course, expect that you would have sole control and management and responsibility of the business, consulting me when necessary. I having free access to the books, papers, etc. etc. of the business when I desired. The clerk that I should recommend or place with you, of course, should expect you to be satisfied with, if not get another one . . . . he is under your direction. I would not ask of you anything that would be considered unreasonable or unbusinesslike. If I had not confidence in you that you could manage the business, I should so tell you at the start and decline commencing with you . . . . As I stated to you when you were here last, I did not expect that the business would pay interest and expenses for the first year or two . . . . I want you to see my plans, etc. of the design of my new bank here, and then can adopt what we may wish for the Salem one. My taste may not suit yours. One thing we have not talked or mentioned yet, is what shall the firm name be? What are your views on this—I would prefer to have it Ladd and Tilton or Ladd and Bush,

Yours,
Ladd

A remarkable feature of this letter quite apart from the views expressed is that it is neatly typed. Other correspondence and memoranda of Ladd and Tilton continued to be in longhand for many years after 1868. No really satisfactory explanation can be offered. The typewriter must have been a very early model, though there is no flaw in the typing. Perhaps Mr. Ladd used the services of some early public stenographer; or per-

[9] Ladd and Tilton were engaged in the construction of a new building at First and Stark streets in Portland.

haps some enterprising pioneer typewriter salesman gave the banker a demonstration of the new writing machine. But if so, he did not make a sale.

Mr. Ladd was actively interested in many business enterprises, especially after the establishment of the bank; to a somewhat lesser extent, perhaps, Mr. Tilton was also a participant in these enterprises. These enterprises include the Oregon Steam Navigation Company, the Portland Flouring Mills Company, the Oregon Iron and Steel Company, and the telegraph company that was building its lines south to meet the line building north from San Francisco.[10] Mr. Ladd also had a substantial interest in Dexter Horton & Company of Seattle, a pioneer mercantile institution that would evolve into the Dexter Horton National Bank and finally become the nucleus of the giant Seattle First National Bank. It is probable, however, that the interest in the Seattle enterprise was acquired in the latter years of Mr. Ladd's life.

Mr. Ladd's interest in the flour milling business evidently began only a few years after his arrival in Portland. There is no evidence that he acquired a property interest in any of these enterprises in these early years, but he did act as an assignee for the Portland Milling Company as early as 1854. Whether he was selected for this role by the company or its creditors is not known, but the *Oregonian* of September 30, 1854, included the following notice:

> Portland Milling Company—Notice. Debtors are requested to settle their accounts without delay and creditors to present their claims promptly for adjustment to W. S. Ladd as Assignee.

Except for the single year 1869, the financial statements of the bank are not available prior to incorporation in 1908. For this reason we do not know how much, if any, of the ownership of these pioneer enterprises was held in the banking co-partnership and how much was held by Mr. Ladd as an individual. The December 31, 1869 financial statement which is shown following does not appear to reflect substantial bank holdings of such assets.

[10] When the Ladd estate was closed on July 1, 1908, substantial holdings in the Portland Hotel, First National Bank of Portland, the First National Bank of Walla Walla were also listed.

Statement of Condition of Ladd & Tilton Bank
at the close of Business Dec. 31, 1869

Resources	
Loans and discounts	$ 788,232.68
Real estate	35,608.08
Bonds, stocks, warrants, etc.	132,755.13
Cash and due from banks	138,754.58
	$1,095,350.47
Liabilities	
Capital	$ 600,000.00
Surplus and Profits	107,346.27
Deposits	388,004.20
	$1,095,350.47

It is possible that the bank did not acquire interests in local enterprises until after 1869. It is also barely possible that there was some shifting of assets between the bank and Mr. Ladd just before the preparation of the financial statement. While the financial statement was not required to be published and the bank was not subject to regulation, Mr. Ladd may not have wished to show these interests in the financial statement of the bank because he thought there was possibility that such a statement might somehow be made public. There is also some possibility that the bank held substantial interests in these enterprises but included them in the statement at a low valuation.

We do know something about the holdings in other banks after the bank was incorporated in 1908. These holdings were not individually recorded in the statements but at least once a year the bank (after 1908) included in the Corporate Minutes a "Director's Examination" which included a detailed valuation and listing of all stocks and bonds owned. The Director's report for July 15, 1909[11] showed holdings of 2,000 shares of Portland Flouring Mills Company valued at $1,950,000, and 1,012 shares of the Portland Hotel valued at $175,000, as well as the following holdings of banks and financial corporations:

Shares		*Value*
100	Portland Trust Co.	12,000
100	Equitable Savings & Loan Ass'n	13,000
250	First National Bank-Astoria	34,000
167¾	First National Bank, N. Yakima	32,416

[11] Corporate Minute Book.

200	First National Bank of Portland	90,000
170	First National Bank of Walla Walla	34,680
1301½	Pacific National Bank of Tacoma	236,763
8350	Dexter Horton & Company	1,035,400
740	Merchant's Bank of Port Townsend	74,000
	Total	$1,562,259

The first published financial statement of Ladd & Tilton after incorporation showed "stocks and bonds" as $4,785,000, which substantially exceeded the conventional banking asset, "loans and discounts." Certainly the proportion of these ownership interests and loans to controlled enterprises were not smaller in the early years of the bank.

There is little evidence that either Mr. Ladd or the firm of Ladd & Tilton were ever large holders of railroad securities. In connection with the sale of the Oregon Steam Navigation Company in 1871, Mr. Ladd came to own a block of Northern Pacific bonds. While there is no positive evidence, it is probable that these bonds were sold prior to the failure of the Northern Pacific in 1873. Mr. Ladd and others reacquired ownership of the Navigation Company after the Northern Pacific failure, and in 1879 sold the enterprise to Henry Villard. Part of the purchase price was paid in the securities of the Oregon Railroad and Navigation Company. Consequently, Mr. Ladd acquired holdings in this company which was to become a part of the Union Pacific System. But these holdings were merely incidental to the quite profitable transactions in the stock of the Oregon Steam Navigation Company.

Mr. Ladd probably considered investment in these early railroad enterprises as highly speculative, as indeed it was. But this is not to say that he was only an interested observer. After all, these railroads represented transportation and he was keenly interested in transportation. But it is unlikely that he would have been willing to make a major investment in this new form of transportation unless he could either control or substantially control the enterprise; and the early bickering between rival lines probably dissuaded him from a major commitment of funds.

That William S. Ladd was at least a watchful observer of the railroad projections of the time is evidenced by a faded stock certificate in the Ladd papers in the Oregon Historical Library. This stock certificate represents twenty shares of the common stock of the "Oregon Branch Pacific Railroad Company" and was dated January 26, 1871. It was made out in the name of William S. Ladd and signed by Jerry L. Goodwin, secretary, and B. J. Pengra, president.

Oregon Steam Nav. Co.

NOTICE!

From and after this date, till further notice, the rates of Freight and Passage, by the Oregon Steam Navigation Company's boats, will be as follows:

Freight from Portland to Dalles, per ton, -	$ 40
" " Grand Round and Umatilla,	100
" " Wallula, - -	130
" " Lewiston, - -	200
Passage from Portland to Dalles, (portage & meals extra,)	$15
" Celilo to Wallula, (meals extra,)	25
" " Lewiston, " -	50
" Lewiston to Celilo, " -	35
" Wallula " " -	20

THE ABOVE ARE LEGAL TENDER PRICES.

RECEIPTS WILL BE GIVEN IN FULL, BY PAYMENT IN GOLD, AS FOLLOWS:

Freight from Portland to Dalles, per ton, -	$ 25
" " Grand Round and Umatilla,	65
" " Wallula, -	80
" " Lewiston, -	125
Passage from Portland to Dalles, (portage & meals extra,)	$ 7 50
" Celilo to Wallula, (meals extra,) -	15
" " Lewiston, " -	30
" Lewiston to Celilo, " -	20
" Wallula " " -	10

Horses and Mules taken on Stock Boats from Portland to Dalles at $4 each, payable in gold; on regular Boats, $5 each.

J. C. AINSWORTH,
President O. S. N. Co.

PORTLAND, February 21st, 1863.

Poster for the Oregon Steam Navigation Company, 1863.

This railroad "projection" of the well-known Lane County railroad promoter was one that may have appeared to be a good idea at the time, but in cold retrospect was little more than a pipe dream. The line was supposed to run from a junction on the railroad south of Eugene and connect with the Pacific Railroad at Winnemucca, Nevada. It is difficult to imagine a more unpromising route. One wonders how such an impossible promotion could have interested such a sound and conservative businessman as William S. Ladd.

Even when the bank did not have an ownership interest in an enterprise controlled by Mr. Ladd, the Ladd & Tilton Bank naturally was preferred as a banking connection in such instances. For example, the evidence to be later presented indicates that the Ladd & Tilton firm never owned any of the stock of the Oregon Steam Navigation Company. But this highly profitable transportation company was owned and controlled by Mr. Ladd, Mr. Tilton, and several others closely associated with them. It is not a surprise, then, to note that the Oregon Steam Navigation Company maintained a large deposit balance with the Ladd & Tilton Bank. In 1869, for example, one of the pages in the "Boston Ledger" shows a demand deposit in excess of $200,000 to the credit of the transportation company.

The business of the bank expanded rapidly during the Civil War years and the Front Street location became less than adequate. Moreover, the Portland business district began to move back from the river, a movement that would continue over the decades. In early 1868, the firm began planning a new and larger building at First and Stark Streets. This was about the same time that the building for the Ladd and Bush Bank in Salem was being planned. The Ladd & Tilton structure was completed early in January 1869. The *Oregonian* of January 12, 1869 reported:

> Ladd & Tilton's New Bank Building
>
> This building is undoubtedly the handsomest structure in the state, and we doubt if there be a handsomer one on the Pacific Coast. The designs were drawn last winter by Mr. John Nester, architect, who has also had charge of the construction. . . . The building has fifty feet on First Street and one hundred feet on Stark Street, two stories high, with a basement of seven feet. . . . He [Mr. Ladd] is about to leave on a trip to the states[12] on business, but we shall hope to get him among us in a few months, and we especially wish him a pleasant and safe journey.

[12] It is remarkable how this expression persisted, although Oregon had been a state for nearly a decade.

As indicated in a letter from Ladd to Asahel Bush written in the summer of 1868, the same architect (Nester) who designed the Portland bank building designed the Ladd and Bush building in Salem. Although this Portland building has had to give way to changes in Portland's highway network and commercial pattern, a mere glance at a picture of the building at First and Stark shows its close resemblance to the Ladd and Bush building in Salem; both have the same narrow, arched windows, both have the same corner entrance with the chopped-off corner carried all the way to the roof, with a corner window on the second floor. Fortunately, it has been possible to preserve the essential beauty and integrity of the Salem structure.

Mr. Ladd was very much interested in real estate and much of his wealth was the result of wise selection of properties, careful management, and patient holding. The decade of the 1880s, especially, was a period of rapid growth in real estate values because of railroad construction and population growth. Indeed, it is perhaps not improper to use the term "boom" to describe the real estate market in many parts of Oregon during at least some years of this decade. That the Portland real estate market was strong and active is indicated in a letter from Ladd to Judge Deady:

> November 17, 1881
>
> Since you left matters have moved along much the same. Tho, if anything, business is better this fall than ever heretofor. Real estate has been, since Mr. Villard's friendly visit, booming. Particularly in the Couch Lake[13] and river frontage down as far as Swan Island. I hear that Dr. Wilson now holds his 300 foot frontage for $500 per front foot, $150,000—not yet sold, however,
>
> Wm. S. Ladd

The relationship between Mr. Ladd and three other Portlanders who as young men had arrived in Portland in the spring of 1851 was more than usually close. These were Henry Failing and Henry W. Corbett from New York and C. H. Lewis from New Jersey. Corbett and Failing became partners in a wholesale and retail hardware enterprise and later were associated together in the First National Bank of Portland. In addition to this business association, Corbett and Failing had become brothers-in-law. Later, a daughter of Mr. Ladd married Corbett's son. Mr. Lewis, who became prominent in the wholesale grocery business,

[13] Couch Lake occupied the area now covered by the Union Station and adjacent railroad yards. It was reclaimed by the Northern Pacific Terminal Company.

had an interest in the First National Bank, although he was never actively associated with the institution. The fact that these men were business competitors did not serve to dampen their warm friendship and mutual respect. In addition to family ties, these four men were bound together by another pervasive and powerful influence: they had been young men together in this new city on the Willamette in the far Pacific Northwest. They were destined to remain friends and to be closely associated in many worthwhile business and civic ventures.

It seems quite possible that W. S. Ladd thought of the firm of Ladd & Tilton essentially as a regional banking enterprise. It is quite possible that the interests held in other banks in the region were larger during the lifetime of W. S. Ladd than would be indicated in the list of bank interests listed in 1909.

In the multi-volume series *Chronicles of the Builders* by Hubert H. Bancroft, there is a short biography of Mr. Ladd. This well-known publication is sometimes crudely referred to as a "mug book" and was subsidized largely by those whose biographies were included.[14] The biographies were quite uncritical and based largely on material furnished by the subscriber or someone associated with him.

In this short biography which presumably had Mr. Ladd's approval, it was said that he (Mr. Ladd) had banking interests in Seattle, Tacoma, Walla Walla, and Port Townsend, Washington. Banks in all of these cities are included in the 1909 list of holdings, but some of the holdings in 1909 were relatively small. It seems somewhat doubtful that W. S. Ladd would have referred to these small holdings as "banking interests." It may well have been that these holdings had been substantially reduced following the death of Mr. Ladd in 1893.

Further evidence that the Ladd banking interests may have been more extensive than previously believed is to be found in a paragraph in the small book *Sixty Milestones of Progress*. This sixty-four page volume was edited by Milton E. Fitzgerald and published by the bank. This paragraph appears:

> As early as 1868 he [Ladd] formed a partnership with Mr. Asahel Bush of Salem, Oregon, where they opened a bank under the firm name of Ladd & Bush. This was the beginning of the establishment or promotion by him of banks throughout Oregon, Washington, and Idaho. So active was he in this respect, and so far did his financial

[14] But this did not mean that anyone who was willing to subscribe could have his biography included in the book.

interests reach, that he was popularly credited with being "a taxpayer in every county in Oregon, Washington, and Idaho." But however exaggerated this report may have been, certain it is that very many of the banks of his day in this section were indebted to him for either financial or moral assistance.

Certain it is that the above statement about banking interests throughout Oregon, Washington, and Idaho is a gross overstatement; but it may be that his banking interests went beyond the holding of the Ladd & Bush Bank and his interest in the Dexter Horton Company of Seattle, together with the other small interests included in the 1909 list.

A major annoyance to the bank during the greenback period was the necessity to maintain at least some records in both currency and coin. The West in general, and Oregon in particular, was not partial to paper money; but the bank could not refuse to accept "legal tenders" for deposit. It could and did make sure that if a customer deposited currency he could only withdraw currency and not coin. A customer who deposited coin would not have been willing to accept a withdrawal in the form of currency.

The book in which was entered the record of customers deposit balances was the familiar "Boston Ledger." This was a multi-columned book with one line assigned to each depositor; each day the new balance of each depositor was entered in the column to the right after giving effect to the day's deposits and withdrawals. The distinction between currency and coin balances was maintained by showing two figures on a single line—black for coin and red for currency. If a depositor had only a currency deposit or only a coin deposit, then, of course, only one figure would appear. But if his balance was made up partly of currency and partly of coin two figures would be shown—black for coin and red for currency.

These old Boston Ledgers contain the names of many well-known figures in Oregon and Pacific Northwest history; the Ledger for November 1869, for example, shows the following names with related balances: J. C. Ainsworth, $349.33; Alexander Ankeny, coin, $8,015.41, currency, $136.43; Jesse Applegate, $28.45; S. Cohn, $200.00; M. P. Deady, $1,052.70; R. Glisan, $84.64; S. G. Reed, $3,711.21; M. Seller, $123.08; D. P. Thompson, $.63; J. Terwilliger, $925.00; R. R. Thompson, $4,806.34; and C. E. Tilton, $525.00.

This same ledger shows a balance for the "Labor Exchange" consisting of $20.00 in currency and $891.25 in coin. The nature of this organization is not indicated; perhaps it was some sort of pioneer labor union

comparable to what is now called a central labor council.

A related problem was that of fractional coins. Even before the issuance of greenbacks during the Civil War and the virtual disappearance of minor coins from circulation,[15] it was difficult to obtain a sufficient stock of pennies and dimes. On March 5, 1860, Mr. Tilton wrote Ladd from San Francisco, "You can get any quantity of silver in half dollars but dimes and half dimes they do not coin. I send you all I can get."

For many years in the Oregon country, coins of a denomination of less than twenty-five cents were neither popular nor common. Prices were quoted as much as possible in terms of "bits" or twelve and one-half cents, an eighth of a dollar. But it was inevitable that this pioneer custom would be abandoned whether merchants liked it or not. In Salem, it has been reported,[16] dimes were rarely seen until 1870, when two enterprising clerks in "Breymans Store purchased a quantity of ten-cent pieces in San Francisco at ten for a dollar and succeeded in putting them in circulation in Salem as a short bit." A dime was usually accepted as a bit and sometimes even two dimes would be accepted as two bits. This introduction of the unfamiliar coin displeased the merchants and they agreed not to pay out any dimes received, hoping to eliminate this minor coin from circulation. But this was like trying to bail out the ocean with a spoon; the clerks just shipped in more dimes and eventually the merchants were compelled to adopt a different system of pricing.

The Ladd & Tilton Bank, of course, purchased gold and gold dust as did all banks of the time. Ladd & Tilton was especially active in this business in the 1860s during the mining boom in Idaho and eastern Washington. But the bank records appear to indicate that this was not an especially profitable activity. However, it is possible that gold shipments were more profitable than a mere glance at the record would indicate. One of the surviving books of accounts of Ladd & Tilton shows the detail of gold shipments according to the steamer on which the metal was shipped and the date of departure from Portland. A summary of gold shipments for the month of October 1867 shows three shipments:

	departure	*value*	*cost*
Steamer *Oriflamme*	Oct. 5, 1867	$ 7,385	$7,379
Steamer *Sierra Nevada*	Oct. 15, 1867	17,526	17,419
Steamer *Oriflamme*	Oct. 26, 1867	10,802	10,748
		$35,713	$35,546

15 Superseded by "shin plasters" or fractional currency.
16 Ladd & Bush *Quarterly*.

It should be remembered that this is only the account book of the shipper and it may well be that the value estimated was intentionally conservative. Ladd & Tilton had assay reports on the gold but in entering the shipments in their own records it was not necessary to follow the assay reports; then, too, the assay reports may have been conservative. The gold shipped was of varying degrees of fineness, and it may well be that the actual realization from the shipments exceeded the estimated value recorded in the shipment ledger.

That the banking firm did obtain assay reports on gold purchased is indicated by a few remaining assay reports. A typical report is one from the assay office of Tracy and King and supplies the following information relative to a consignment of "dust": before melting, 11.04 oz.; after melting, 14.44 oz.;[17] fineness, .810; value, $241.78; commission, $2.50.

Perhaps the vigorous competition of Wells Fargo and possibly other express companies kept profit margins within narrow limits. It would certainly appear that the competition of this pioneer express agency would be difficult to meet since the express company had agents and offices in the mining camps and offered facilities for transporting treasure.

William S. Ladd was a vigorous and dominant personality and he continued in unquestioned control of his enterprises including the Ladd & Tilton Bank until his death on January 6, 1893. But in the early 1870s, he became paralyzed from the waist down as a result of a spinal injury when he was a young man. From this time on he was dependent on crutches and required the assistance of a servant. But his mind was not impaired and he continued to direct his many enterprises to the last. It is not surprising that he found it difficult to reconcile himself to his physical handicap. He considered, probably correctly, that if he had taken more vacations as a young man he would not have become incapacitated. In 1877, he found it necessary to spend some months at Hot Springs, Arkansas, and while there he wrote Judge Deady as follows:[18]

June 3, 1877

> I see by the papers that you are holding court but suppose soon will come your Summer vacation—can go to the sea or mountains. Oh, how I wish I were at home and could join you. We would have a good time—I think possibly I may learn before I die that if could to live my life over could take some men [*sic*]. . . . What a blessing if I had taken a few weeks vacation every year for these past years. . . .

[17] These before-melting and after-melting figures seem to be reversed.
[18] Ladd Papers, Oregon Historical Society Library.

Perhaps because Mr. Ladd's eldest son, William M. Ladd, was now a young man with a background of some experience in the bank, and because his father wished to give him additional responsibility and training, the partnership of Ladd & Tilton was dissolved in 1880. Mr. Tilton and Mr. Mead, the two nonresident partners, withdrew and a new partnership was established with Mr. Ladd and his son as principals. But the firm name remained the old, familiar Ladd & Tilton. The capital and surplus of nearly $2,000,000 was distributed and the new firm continued with a capital of $250,000. It should, of course, be noted that this capital reduction was of slight importance; this was a partnership rather than a limited liability corporation. The liability of William S. Ladd was in no way limited to the capital expressed on the books of the bank. His entire resources constituted a guaranty fund for the deposits and other obligations of the bank.

Young William M. Ladd was a partner in name and as a matter of record, but he was in reality and fact not much more than a clerk. It was not the nature of William S. Ladd to share control with anyone. Others might have an ownership interest, but Ladd & Tilton was a private bank without a Board of Directors or loan committee and subject to no regulatory agency. The funds under his control he regarded as his to do with according to his best judgment and without interference by depositors, partners or anyone else.

Although the bank was only indirectly concerned with Mr. Ladd's activities in connection with the Oregon Steam Navigation Company, it is worthwhile to review and summarize these transactions because they provided the basis for a significant portion of the Ladd wealth and because of their relation to the economic development of the region. Few of his ventures would prove to be more profitable than the Oregon Steam Navigation Company.[19] The operating profits of this venture were more than satisfactory. But Mr. Ladd and his associates perhaps profited even more by the timely sale of the enterprise to the Northern Pacific in 1871, repurchase after the failure of the Northern Pacific, and subsequent resale in 1879 to Henry Villard. William S. Ladd, his San Francisco brother

[19] For a more complete history of this enterprise see "Oregon's First Monopoly, O.S.N. Company," by Irene Lincoln Poppleton, *Oregon Historical Quarterly*, Vol. IX, Sept. 1908, 274-304; "A Chapter in the History of the Oregon Steam Navigation Company," by Dorothy Johansen and Frank B. Gill, in four parts, Vol. XXXVIII, Mar. 1937, 1-43, Sept. 1937, 300-322, Dec. 1937, 398-410; and Vol. XXXIX, Mar. 1938, 50-64, *Oregon Historical Quarterly*.

John Wesley Ladd,[20] C. E. Tilton, also of San Francisco, and Portlanders J. C. Ainsworth, Simeon G. Reed, and R. R. Thompson cannot really be thought of as "country cousins." They were far from being back-country bumpkins to whom a "city slicker" could sell a deed to the Brooklyn Bridge; but neither were they big Wall Street operators experienced in the methods of "high finance." These men were only careful and determined business men who were alert to the profit possibilities of transportation enterprise in the Pacific Northwest. But at the same time they were realists and understood that at some price it was wise to allow others to assume the risk of continued ownership. In any event, seldom has a group of back-country businessmen so outmaneuvered and outsmarted those who might be cynically and inaccurately referred to as "city slickers." The story is worth telling, for it serves to illuminate the history and business practices of the late nineteenth century.

In 1862, a group of businessmen succeeded in bringing together into a single corporation various independent and rival steamship lines.[21] The resulting Company, the Oregon Steam Navigation Company enjoyed a monopoly of the traffic of the upper and lower Columbia and Snake Rivers. This monopoly was largely made possible through the ownership by the company of short portage railroads around the natural obstructions to navigation on the Columbia at the Cascades and at The Dalles. The navigation company was largely owned and controlled by William S. Ladd, R. R. Thompson, S. G. Reed, and J. C. Ainsworth of Portland, and John Wesley Ladd and C. E. Tilton of San Francisco. John Wesley Ladd was a younger brother of William S. Ladd. The initial capital of this venture was $2,000,000, consisting of 4,000 shares each of $500 par value. How much capital was actually paid in cannot be determined, since it was a merger of previously competing enterprises. It is quite clear that the amount was considerably less than the issued capital.

Once the monopoly had been established and brought under the able guidance of Ladd and Ainsworth, the venture became tremendously profitable. The mining boom in Idaho and eastern Oregon during the

[20] John Wesley Ladd died in 1871, and so did not participate in the repurchase and subsequent sale to Henry Villard.

[21] The story of early transportation development in Oregon is included in *Oregon's First Monopoly* previously cited, and in *The Early History of Transportation in Oregon* by Henry Villard (Eugene, Oregon, 1944). A brief account of these developments is found in *Memoirs of Henry Villard*, Vol. II, chaps. 39 and 40 (Boston, 1904).

1860s and after brought a great expansion in both passenger and freight traffic. The company was able to charge rates that were highly profitable in spite of the high cost of operation. In 1863, the freight rate in currency was $40.00 per ton from Portland to The Dalles and $200 per ton from Portland to Lewiston; but in gold the rates were $25.00 to The Dalles and $125 to Lewiston. The combination of high rates and heavy volume of traffic proved extremely remunerative. In addition to whatever dividends were paid, the company plowed back earnings into the business, and in 1868 the capital was increased to $5,000,000 but without any additional investment by the owners. This new capital was divided into 50,000 shares each with a value of $100.

But these hard-headed Portlanders were realists and they well understood that a monopoly position is difficult to maintain indefinitely and that the mining boom would not continue forever. In particular, the owners of the navigation company were concerned with the prospect of railroad competition. Railroads were being promoted and some were even under construction, although in 1871 there was much more promotion than construction; and the only railroad mileage ran a little way south from Portland. But the owners of the Oregon Steam Navigation Company could understand that one day their steamers on the Columbia would face the competition of a railroad.

In 1871, a party of men representing the Northern Pacific Railroad came to the Northwest to locate the western terminus of the road and to arrange for the beginning of construction. In these circumstances, the directors of the navigation company proposed to the Northern Pacific delegation that the Northern Pacific buy the stock of the navigation company for $2,000,000 or 40 per cent of the nominal value of $5,000,000. This proposition was later presented to officials and directors and was substantially accepted. Some months later, in Philadelphia, Jay Cooke & Co. purchased three-quarters of the stock of the navigation company for the account of the Northern Pacific. The price paid was 40 per cent, half cash and half in Northern Pacific bonds at 90. Jay Cooke & Co. retained the stock as security for a loan that firm had made to the railroad. The original owners of the nativation company retained one-fourth of the stock.

Although the stock was sold at less than par value, the sale was without doubt considered by the Portland group to be a stroke of good fortune. We do not know how much had been invested, but it was not a large sum. The term was then unknown, but there can be little doubt that the sellers realized a substantial "capital gain."

The Portland directors remained in de facto control of the enterprise while the Northern Pacific struggled with the twin problems of financing and construction.[22]

In 1873, both the Northern Pacific Railroad and Jay Cooke & Co. failed in a kind of prelude to the long depression of the 1870s. The stock of the navigation company became then part of the bankrupt estate of Jay Cooke & Co. and was distributed mostly in small lots to the numerous creditors of the investment banking firm. The new holders knew little or nothing about the navigation company and there was no concentration of holdings. "Full disclosure" was not the rule in the 1870s and even Poor's *Manual of Railroads* carried no information about the company. The result of this lack of information and scattered holdings was that the stock came on the market at a low price. It should be said, of course, that during this period all stock prices fell, and it is not amazing that the nagivation company stock sold at low prices. The Portland group of stockholders succeeded in buying 26,548 of the 50,000 shares outstanding at $13.00 per share. This was the stock they had sold in 1871 at $40.00 per share and this fortunate purchase, with the stock already held, gave the Portland group slightly more than 80 per cent of the outstanding stock.

It should be noted, however, that this purchase group did not include John Wesley Ladd of San Francisco. Mr. J. Wesley Ladd died in 1871 and his widow subsequently married a man by the name of Hiller. The exclusion of the estate of John Wesley Ladd from this 1874 purchase group would become the basis for a prolonged and bitter legal battle between Mrs. Sarah Ladd Hiller and the estate of William S. Ladd, which would drag through the courts from 1894 until 1899.[23]

The Portland group continued in the control and management of the navigation company until 1879. In this year, the group was approached by Henry Villard who offered to purchase the stock. The Portland group, aware that they had an eager buyer, advised Mr. Villard that they would ask a high price and suggested that he inspect the properties of the company, especially in the Upper Columbia region. Mr. Villard agreed to do so and with one of the Portland directors spent ten days inspecting the company's properties in the upper river and Walla Walla region. He

22 Actually, the first train from the east did not reach Portland until 1883.

23 Hiller v. Ladd, 80 F.784. The decision of the U.S. Circuit Court of Appeals is reported in 85 F. 703. The United States Supreme Court denied certiorari in 1899, 173 U.S. 703.

returned to Portland filled with enthusiasm about the potential of the region in general, and the company's property in particular. This enthusiasm was not diminished when he examined the inventory of properties and the record of earnings. The Portland group then offered to sell to Mr. Villard their 40,350 shares at $100 per share. After some days of negotiation, Mr. Villard secured for $100,000 cash an option to buy the stock at the price asked, the stock to be paid for 50 per cent in cash, 20 per cent in the bonds, and 30 per cent in the stock of a company he proposed t organize to acquire the steamship properties, make improvements, and to purchase and develop certain railroad properties. Within a relatively short time, Mr. Villard had completed financing arrangements and exercised his option.[24]

The Portland group had largely developed the navigation company from its own profits, had written the capital up to $5,000,000 and sold

[24] The company organized by Mr. Villard was the Oregon Railroad and Navigation Company, which came under the control of the Union Pacific Railroad. The bonds and stock of this company accepted in partial payment by the Portland group very shortly rose to par. Whether or not the Portland group liquidated these securities is unknown.

Ladd & Tilton Bank, First and Stark Streets, at time of 1894 flood.

three-fourths of the stock at $40.00 per share; after waiting two years they had repurchased most of this stock at an average price of $13.00 per share; then after some six years they had resold the stock for a quite satisfactory $100 per share! Clearly, here was a group of back-country business men who needed no lesson on how to succeed in Wall Street.

But this series of transactions would be a source of difficulty for the executors of the estate of William S. Ladd. Mr. Ladd died January 6, 1893, and his will was filed for probate on January 16, 1893. A little more than a year later, Mrs. Sarah Ladd Hiller, the widow of J. Wesley Ladd, filed suit for damages against the estate. This claim, aggregating approximately one million dollars, was heard in the Federal District Court in Portland. Mrs. Hiller's claim was denied on the merits and was appealed to the Circuit Court of Appeals where she was again unsuccessful. The United States Supreme Court denied certiorari on February 27, 1899.[25]

The case is interesting for the light it throws on the transactions in the stock of the Oregon Steam Navigation Company and the business and commercial practices of the time.

The allegations on which the claim for damages was based may be summarized as follows:

That J. Wesley Ladd on his death on February 28, 1871 was the owner of 7,600 shares of the Oregon Steam Navigation Company.

That prior to his death he had resided in San Francisco where he was engaged in many different enterprises of a speculative nature, in many of which he was associated with his brother, W. S. Ladd of Portland.

In his last will, J. Wesley Ladd expressed the utmost confidence in the ability and integrity of his brother and requested his wife to place her property in his hands to manage and invest for her. Upon probate of the will, W. S. Ladd, J. M. French, and the widow, Mrs. Sarah Ladd were named as executors.

That Mrs. Ladd (now Hiller) was ignorant of her husband's affairs and permitted W. S. Ladd to have exclusive control of the estate.

That W. S. Ladd fraudulently omitted from the inventory of the estate 7,600 shares of the stock of the Oregon Steam Navigation Company belonging to her husband but which was registered in the name of one Alvinza Hayward. That W. S. Ladd concealed the ownership of this stock from her, except as to 950 shares which he falsely pretended he had purchased from C. E. Tilton for $33,250.

[25] 173 U.S. 703 (1899).

That on April 2, 1872, subsequent to the death of J. Wesley Ladd, three-fourths of the stock of the Company was sold to the Northern Pacific Railroad Company at $40 per share, one-half in cash and the balance in bonds of the railroad at 90 per cent of their par value.

That it was known that J. Wesley Ladd left a large estate and W. S. Ladd did not dare omit the 7,600 shares of stock from the estate inventory without substituting other values; accordingly, he substituted a pretended promissory note of Alvinza Hayward for $190,000, dated March 1, 1870. Moreover, while the estate was being administered, W. S. Ladd received dividends on the stock which he credited on the note as payments of interest.

That when the 950 shares of stock included in the estate on the pretense that they had been purchased from C. E. Tilton for $33,250 was sold to Villard in 1879, W. S. Ladd falsely represented that the sale price was $50 per share only, when in fact an additional $50 per share was received in the form of securities.

It was, indeed, a rather incredible case and must have presented difficult problems to the trial court. Many of the allegations were admitted by the executors of the estate of W. S. Ladd. It was true that the ownership of the 7,600 shares of Navigation Company stock were omitted from the estate inventory and the pretended note of Alvinza Hayward for $190,000 substituted; undeniably, this operated to conceal the fact of the ownership of the stock from the California Probate Court. Moreover, the executors freely admitted that W. S. Ladd had falsely represented that the sale price of 950 shares in the 1879 "Villard deal" was $50.00 per share and no more, although, in fact the price paid included an additional $50.00 per share in securities. This was not, however, included in the claim for damages since W. S. Ladd subsequently admitted this deception and delivered the stock and bonds to which the estate was entitled.

Defense counsel[26] had an unenviable task; the Probate Court had been deceived and most of the allegations of fact were admitted; but, strangely enough, when all the evidence is considered it is clear that the plaintiff, Mrs. Sarah Ladd Hiller, had not been damaged. Moreover, it seems clear that the actions of W. S. Ladd in concealing the fact of stock ownership had been prompted by the suggestion and even the request of his deceased brother, J. Wesley Ladd; in addition, it appeared to the Court that Mrs. Sarah Ladd Hiller must have known of the omission of the

[26] C. E. S. Wood, C. A. Dolph, and T. C. Dutro.

stock from the inventory from the beginning and was aware of the purpose of the substitution of the Hayward note for the stock.

When the sale of stock to the Northern Pacific was pending in 1871, the prospective sellers considered it would be prudent if the stock of all of them were transferred to a trustee with power to sell. Alvinza Hayward was a friend and associate of J. Wesley Ladd and prominent in California business and financial circles. He was selected as the trustee probably on the suggestion of J. Wesley Ladd. The Portland directors transferred their stock to him as trustee and announced (falsely) that Mr. Hayward had taken control of the Oregon Steam Navigation Company. On the assumption that Hayward was indeed the controlling interest, some of the minority stockholders sold their stock to him.

There were several reasons for pooling the stock and creating an impression that Hayward was now the controlling interest in the company. It would prevent potential buyers from attempting to bargain separately with stockholders. The directors also expected that this action might have a favorable effect in certain litigation referred to as "blackmail suits" as well as serve to deter competition from Ben Holliday.

When the directors were weighing the desirability and possibility of a sale of the stock, J. Wesley Ladd was in poor health. The Court evidently believed it was quite possible, if not probable, that his desire to place his stock beyond the reach of probate administration formed part of the basis for the appointment of a trustee. In a letter to Tilton, of December 28, 1869, J. Wesley Ladd wrote: "I deem it prudent to arrange my little affairs so if I should drop out it will not necessarily bring to light matters we desire to remain dark. If I can get you, William, and Hayward together a day or so, can arrange for any contingency."

It was the opinion of the court that the estate of John Wesley Ladd had in fact received the full value of the 7,600 shares of Navigation Company stock and that there had been no fraud even though the stock had not been listed in the estate inventory. The opinions of the District and Appeals courts do not make entirely clear how other values were substituted for the value of the stock. We can, however, reconstruct this substitution as follows:

Shares of O.S.N. Company held by J. W. Ladd at death which W. S. Ladd did not wish to have listed in the inventory of the estate	$ 7,600
Less shares not sold to N. P. R. R. Company (¼)	1,900
Shares sold to N. P.	5,700

Sale Price (cash and bonds)	40
Sales proceeds	228,000
Less amount withheld by N. P. to pay certain claims. This figure not specifically noted in the opinion, but the fact that there was a small withholding is mentioned.	4,750
Total value to be accounted for in the estate inventory	$223,250
This value was apparently accounted for as follows:	
Pretended note of Alvinza Hayward	$190,000
Value placed on 950 shares of O.S.N. stock returned to Mrs. Ladd Hiller valued at 950 times 40 and less expenses shown above. It was falsely stated that this stock was purchased from C. E. Tilton	33,250
	$223,250

But this accounting is more plausible than satisfying. The 950 shares of stock shown in the inventory was apparently Mrs. Sarah Ladd's one-half interest in the 1,900 shares of stock not purchased by the Northern Pacific. Although Mrs. Ladd's interest in the estate was only half, it would appear that if this stock was listed in the estate inventory it should have reflected the value of the 1,900 shares rather than only the widow's interest. Moreover, it would appear that the value of the stock remainder of 1,900 should have been included in the inventory *plus* a value equivalent to the sale proceeds of the 5,700 shares sold to the Northern Pacific. There is no adequate explanation why the so-called "note" of Alvinza Hayward was not in the amount of approximately $223,250 instead of $190,000.

It was freely admitted by the defense that when the 950 shares of stock belonging to Mrs. Ladd was sold to Henry Villard in 1879, William S. Ladd falsely represented that the sale price was $50.00 only and did not disclose, until pressed, that an additional $50.00 per share in securities was received.

It was represented that the reason for this failure to disclose to the widow the full extent of the estate was that she was a spendthrift and quite unqualified to invest the funds that might be put at her disposal. In fact, she seems to have admitted this charge. W. S. Ladd had written her in February 1880 as follows:

> An inspection of your account renders any remarks concerning the management of your affairs wholly unnecessary. At the same time, such inspection will disclose the motive which actuated me in re-

porting to you only the cash transaction in the sale of the O.S.N. stocks. You have drawn $151,645.18 (one hundred and fiftyone thousand six hundred and forty five and eighteen one hundredths dollars) in addition to the allowance of the Probate Court during the years 1871-72 of $8,500 (eighty-five hundred dollars)—some $160,-145.18—and the investments made by you so far as I have any knowledge do not exceed $25,000 (twenty five thousand dollars). I therefore conclude that should you become apprised of the full avails realized upon the sale referred to, it would serve to stimulate the extravagancies against which I have heretofor taken pains to caution you. To prevent any complications in the event of death, I have taken the precaution of placing the bonds and stock in a package, indicating thereon the interest I had therein as your attorney, as trustees for legatees and personally. Besides, your books would have disclosed the true condition of your affairs. The trouble you seem to have taken to ascertain the terms of the sale were wholly unnecessary, as they are familiar to nearly every businessman in this city.

It was not denied that Mrs. Hiller's fortune was rapidly being dissipated. Testimony was introduced bearing on some of these extravagancies. Mr. C. E. Tilton had written to Mr. Ladd that if he did not "cover some of her property" he would have "Aunt Sadie on his hands to support." Indeed, "Aunt Sadie" did not dispute her inability to handle money wisely. She had described herself as "a gay widow" and an "extravagant piece." She had written in June 1875 to W. S. Ladd as follows:

> With regard to the $81,239 I have lived and invested the best I know how under all the circumstances, and I have learned, like hundreds of others, to shun stocks as a pestilence or "ravening death," why, I have no one but myself to blame for any foolish acts of mine. In looking back upon my whims and its consequences, I can wring my own hands in my own little anguish, and exclaim wonderingly, all to my little self (when too late), "Who'd a thought it." Never mind! I can console myself with the fact that but very few philosophers even have enough common sense, or honesty, either, to last them overnight, seeing that they preach a great deal more good than they practice.

But in spite of this statement of 1875 about "shunning stocks as a pestilence or ravening death" she indicated in a letter of March 28, 1879 that she regarded stock speculation as "the only loophole of salvation in my financial affairs."

The court then concluded that the value of the 7,600 shares of Oregon Steam Navigation held by J. Wesley Ladd on his death in 1871 had been properly accounted for. It conceded that the failure to list the stock in the estate inventory had been irregular and, indeed, improper, but that Mrs. Ladd Hiller had not been injured by this irregularity. Moreover, since the whole scheme had been devised by J. Wesley Ladd, her former husband, the court considered it improbable that she had not been informed.

The court evidently believed that Mrs. Hiller's real complaint was that she had not been taken into the highly profitable "Villard Pool" in which the stock of the Navigation Company was purchased in 1873 from the creditors of Jay Cooke & Company and sold to Henry Villard in 1879 for $100 per share. But the court concluded that William S. Ladd had no legal obligation to permit the widow to participate in this pool and that estate funds were not available even if he had wished to allow the estate to participate in the pool. It might have added that although this transaction turned out most fortunately, in 1873 it could not have been regarded as other than highly speculative and unsuited for trustee investment.

W. S. Ladd died just before the onset of the prolonged depression of the 1890s. News accounts indicated that the value of his estate might approach ten millions, although this was undoubtedly exaggerated. But when the estate was closed on July 1, 1908 the value of the estate was estimated at about seven millions. Considering the payment of bequests, it seems clear that the long decline of the 1890s did not significantly depreciate the value of the estate. The estate included, of course, the Ladd & Tilton bank and holdings of such other bank stocks as First National Bank of Portland, Dexter Horton & Co., and Levi Ankeny's First National Bank of Walla Walla.

The widow, Mrs. Caroline Ladd, and three sons, William Mead Ladd, Charles E. Ladd, and John Wesley Ladd, were named executors of the estate. William Mead Ladd, the eldest son, who was thirty-eight, became head of the bank. This was not an entirely new experience for him for he had for some years been at least a nominal partner and had been employed in the bank. But William S. Ladd was a dominant personality and had a weakness for his own judgment. It is improbable that the junior partner had been permitted to really participate in the management of the bank. Moreover, the young Mr. Ladd took over the management of the bank just prior to the onset of the severe and long depression of the 1890s.

Although the financial statements of the bank are not available prior

to 1908, it appears that the biographer of William M. Ladd[27] considered it probable that his management of the bank during this difficult period was superior to the management that might have been supplied by William S. Ladd even if the latter had enjoyed good health. The elder Mr. Ladd was an adventurous trader and speculator and had imagination and the courage of his convictions. These qualities served admirably during his lifetime, but a policy of bold trading might have been disastrous if continued into the years following 1893. William M. Ladd was a kindly gentleman who enjoyed the friendship of men and women of his father's generation, and had an interest in and was an active participant in many civic undertakings. Apparently he could be firm, although he was perhaps over trustful of his friends and was sometimes grossly imposed upon. In any event, the bank survived these difficult years of banking and commercial distress, and emerged into the new century as one of the major financial institutions of the Pacific Northwest.

The little evidence that is available indicates that the Ladd & Tilton Bank was not an institution that aimed especially at liquidity. It held large blocks of securities representing in some cases virtual control of an enterprise. It is probable that the average size of loans was relatively large. This was a policy which served William S. Ladd well during his lifetime. But this policy of bold trading and extension of credit in large amounts would in the first quarter of the twentieth century have unhappy consequences.

It does not appear that this was simply a case where the son was less able than the father. It is perhaps true that William M. Ladd was a better bank manager for the new century than his swashbuckling father would have been. It was simply that practices and policies that worked well in the great days of rapid expansion in the Oregon country in the 1860s and 1880s were less well-suited to the first quarter of the twentieth century.

The first financial statement of Ladd & Tilton after incorporation in 1908 showed "stocks and bonds" in excess of loans. Reference to the Minute Book over subsequent years demonstrates that this item of stocks and bonds did not represent holdings of highly liquid or marketable securities but rather the securities of local enterprises; in some cases the item "loans" included credit extension to these same enterprises. A brief summary of these statements over the years from 1908 until absorption of the bank by the United States National Bank of Portland in 1925 is shown in the accompanying statement.

[27] Brewster, *op cit.* (above, note 2).

In reviewing the figures of surplus and undivided profits, account should be taken of the fact that the 10,000 shares of stock issued was valued at $140 per share, of which $100 per share was credited to capital stock for a total of $1,000,000; surplus was credited with $25.00 per share, or a total of $250,000, and undivided profits was credited with $15.00 per share, or a total of $150,000. The undivided profits of $285,000 at the end of the first year of operation in 1908 then indicates that the earnings in excess of dividends the first year amounted to $135,000 ($285,000 — $150,000).

Ladd & Tilton Bank Principal Items of Assets and Liabilities (in thousands of dollars) (from Reports of the State Banking Department)

Date	*Assets*	*Loans*	*Stocks and Bonds*	*Deposits*	*Capital*	*Surplus*	*Undivided Profits*
Nov. 27, 1908	12,896	4,371	4,785	11,399	1,000	250	285
Nov. 16, 1909	14,673	5,557	4,330	12,975	1,000	400	202
Nov. 10, 1910	14,772	6,436	3,609	12,996	1,000	400	298
Dec. 5, 1911	16,576	7,272	3,477	14,613	1,000	600	248
Nov. 20, 1912	16,062	8,244	3,699	13,876	1,000	800	296
Oct. 21, 1913	16,694	8,169	3,548	14,295	1,000	1,000	267
Oct. 31, 1914	15,255	8,299	3,378	12,679	1,000	1,000	332
Nov. 10, 1915	15,783	8,107	3,317	13,318	1,000	1,000	368
Oct. 31, 1916	17,735	9,515	3,064	15,026	1,000	1,000	454
Nov. 20, 1917	21,920	11,688	4,581	18,387	1,000	1,000	585
Nov. 1, 1918	24,549	12,549	4,677	19,577	1,000	1,000	778
Nov. 17, 1919	31,622	19,357	3,611	25,921	1,000	1,000	920
Nov. 15, 1920	29,372	19,397	2,988	22,959	1,000	1,000	1,027
Dec. 31, 1921	26,620	16,722	3,303	20,452	1,000	1,000	903
Dec. 29, 1922	30,713	16,545	3,106	23,073	1,000	1,000	1,098
Dec. 31, 1923	31,973	16,585	3,547	24,354	1,000	1,000	878
Dec. 31, 1924	28,101	14,621	1,787	23,277	1,000	1,000	563
July 11, 1925	25,304	14,451	1,876	20,730	1,000	1,000	558

The ownership of the shares of the new bank at incorporation on April 29, 1908 was largely concentrated in the estate of William S. Ladd. Only 50 shares were held outside the estate; five shares each were held by the following: Wm. M. Ladd, Charles E. Ladd, John Wesley Ladd, Henry L. Corbett, W. H. Dunchley, Frederick Strong, S. B. Linchicum, Frederick B. Pratt, Theodore B. Wilcox, and Edward Cookingham.

In the years following incorporation, there was a shift of stock ownership from the Ladd family toward the Pratt family of New York. Caroline Ladd, the youngest daughter of William S. Ladd had married Frederick B. Pratt, who was a son of one of the founders of the Standard Oil

Company. The initial impetus for this shift of ownership related to a series of events that occurred during the money panic of 1907.

One of the personal investments of William M. Ladd was stock in the Title Guarantee and Trust Company[28] of Portland. This company was established to carry on the business of issuing abstracts of title to real property and making mortgage loans. In 1905, it added a general banking business. Mr. Ladd had purchased this stock on the urging of one J. Thorburn Ross with whom he had been associated in the Presbyterian Church and the YMCA. Mr. Ladd owned about a third of the stock, with Mr. Ross holding most of the balance. Until July 1906, Mr. Ladd was president; shortly after the entrance into the general banking business he resigned as president, and in July 1907 resigned as a director. This seems to be a confirmation of the assertion frequently made by friends of William M. Ladd that he "trusted his friends too much." It is difficult to imagine his father, William S. Ladd, serving as president of a bank he did not effectively control.

On November 6, 1907, at the high point of the so-called "bankers' panic" the Title Guarantee and Trust Company was placed in receivership. The liabilities included $607,000 owed to Ladd & Tilton, $405,000 of savings accounts, $175,000 of time certificates of deposit, $315,000 of demand certificates of deposit, and $1,055,000 of checking accounts.[29]

There was more than the usual public commotion. The enterprise had been operated in a reckless fashion and as the details were revealed public indignation was aroused; there was the usual "depositors' forum" which met and heard the banking system and bankers in general denounced. A Portland woman who must have been something of a "town character" and who was described by the *Oregonian* as a "well-known crank of politics" attempted to force entrance into the bank, presumably to demand payment of her account. When police took her in charge, they took from her a loaded revolver. The woman was released, but the police prudently retained possession of the weapon. This woman was an intense partisan of the President of the United States, Theodore Roosevelt, and it was her custom to carry about a large parasol on which were signs which proclaimed the virtues of the President who was designated as "T. Rosenfelt." Perhaps in attempting to break down the door of the bank building she was only carrying out Mr. Roosevelt's program of "the strenuous life."

[28] The name would indicate that the company was a pioneer in the issuance of title insurance policies.

[29] Including $395,000 to the credit of the state treasurer.

The outburst of public criticism did not immediately involve the name of W. M. Ladd, but was directed mainly against J. Thorburn Ross, the president of the bank, and State Treasurer George A. Steel. Ross, it was charged, had looted the bank in a series of self-serving transactions. The State Treasurer had deposited state funds in the bank without requiring the security required by law, with the result that his bondsman, the American Surety Company, was required to reimburse the state. This resulted in a bitter public controversy between Governor Chamberlain and Steel. The District Attorney for Multnomah County began an investigation and promptly the state asked to join in the hunt; in such circumstances, no holder of public office could afford not to join the hue and cry, and this was especially true of those elected or appointed officials who might have been more vigilant in protecting the public before the collapse. It seems to be standard political practice to divert attention from neglect of duty by denouncing somebody—preferably one who is already in public disfavor.

Mr. Ladd had resigned as an officer of the Title Guarantee and Trust in July 1906, and in July 1907 had resigned as a member of the board of directors. This seemed to give him something of the status of an outsider, and he was advised by his attorneys that he had no liability for the debts of the Title Guarantee and Trust.[30] But in spite of this he announced on November 10, 1907, four days after the appointment of a receiver, that he would personally guarantee the payment of the savings accounts within two years with interest, and that Ladd & Tilton would voluntarily relinquish the security it held for the claim of $607,000.[31] He attributed the four day delay in the announcement to the necessity of securing the assent of other Ladd & Tilton stockholders to the waiver of security for that bank's claim. He called attention to the fact that one of these (Caroline Ladd Pratt) was a resident of New York. It should be noted that this guarantee was applicable only to the $405,000 of savings accounts and not to any form of demand deposit nor to time certificates of deposit.

It was indicated that this action was taken because of his sympathy for the plight of the many small depositors rather than a belief that any legal liability existed. W. M. Ladd was a kindly person, and there seems little doubt that he was genuinely distressed by the difficulties of these

[30] According to Brewster, *op. cit.*
[31] This was the subject of front page stories on Nov. 10, 1907, in both the *Oregonian* and the *Oregon Journal*.

The Ladd & Tilton Bank. Top, the bookkeeping department about 1920.

small depositors. But it seems probable that he also considered what would now be termed the "public image" of the Ladd & Tilton Bank. He would certainly have known that even if no liability existed, his own name and the Ladd & Tilton name would be involved in the investigation and that some of the transactions between Ladd & Tilton and the failed bank, even if not improper, would be the subject of adverse comment. Perhaps he felt that his guarantee of the relatively small amount of savings deposits would serve to protect the reputation and public image of himself and Ladd & Tilton, without the necessity to guarantee the other liabilities of about one and one-half millions.

But it would not work out this way. Depositors and other creditors asserted that they had believed that William M. Ladd was active in the Title Guarantee and Trust Company and that they would not have done business with it if they had known that he was no longer an officer or director. Moreover, it appeared that although he had resigned as an officer and director his name had continued to appear on the letterhead of the bank. In a short while, the name of William M. Ladd began to appear in newspaper accounts of the investigation.[32]

On December 27, it was charged that the Title Guarantee and Trust Company had indeed never been solvent and that the institution began business on money borrowed from Ladd & Tilton. It was also asserted that the Title Guarantee and Trust had discriminated in favor of Ladd & Tilton. This latter charge was spelled out in greater detail on December 28, 1907. It was charged that the debt to Ladd & Tilton had been $725,-000 from January 1, 1907 until October 31, 1907. On this latter date, it was said that this debt was reduced to $607,000 and that this payment of $118,000 was made in the full knowledge that the institution was insolvent. On December 30, 1907, it was charged that W. M. Ladd had guilty knowledge of the fraudulent transactions of Ross, and that Ladd & Tilton had profited from these transactions. But even a casual reading of this allegation indicated that the only benefit received by Ladd & Tilton was the eight per cent interest charged on the advances to Title Guarantee and Trust. It was clear that Mr. Ladd's guarantee of the savings accounts only would not be sufficient to prevent criticism and quite possibly legal action against W. M. Ladd and perhaps against Ladd & Tilton. The record of the payment of $118,000 on the Ladd & Tilton debt on October 31, 1907 was viewed with some suspicion by investi-

[32] The investigation was reported in the *Oregonian* on Nov. 22, and 24, 1907, and Dec. 9, 11, 26, 27, 28, 30, and 31, 1907.

gators because this date was so close to the date of appointment of a receiver, and especially because it occurred during the banking holiday proclaimed by Governor Chamberlain.

In these circumstances, it was announced on December 31, 1907 that W. M. Ladd would guarantee the payment of all of the obligations of the Title Guarantee and Trust and that Ladd & Tilton would relinquish its security for its claim.

It developed, however, that the security held by Ladd & Tilton was hardly gilt-edged; it consisted of the stock of the "Commercial Trust Company" which owned the building at Second and Washington Streets and was occupied by the Title Guarantee and Trust. This property, though close to the center of the financial district at the time, was encumbered by a substantial mortgage to a New York financial institution.

The details of Mr. Ladd's guarantee of these claims were set forth succintly in the first *Annual Report* of the Oregon Bank Examiner,[33] dated December 1, 1908.

> Title Guarantee & Trust Company, Portland
> At the time that the affairs of this company went into the hands of a receiver the total liabilities as shown by the statement dated November 6, 1907, aggregated $2,604.741.54. By agreement entered into between Mr. Wm. M. Ladd, on the one hand, and the depositors of the Title Guarantee & Trust Company and the courts on the other, the said Mr. Ladd agreed to protect the depositors against loss as follows:
>
> Depositors not exceeding $500 in amount, and those exceeding $500 to be paid in full within the periods of two and three years, respectively, from the date of approval of claim, together with interest at the rate of 4 per cent per annum.

The available records make clear that the guarantee to creditors other than Ladd & Tilton was made by W. M. Ladd personally and not by the firm of Ladd & Tilton. But it is not entirely clear whether this guarantee extended to the amount owed to the firm. It would hardly seem equitable to expect Mr. Ladd to guarantee the amount due his own firm. He had been the victim of the disloyalty of a friend; perhaps he had been over trustful, but there was no evidence that he had personally profited from these transactions. His own good name and the public image of

[33] James Steel, Oregon Bank Examiner, who wrote the report, was married to a sister of William S. Ladd.

Ladd & Tilton was at stake; the guarantee was necessary in order to maintain the standing and reputation of the pioneer banking institution.

News accounts seem to indicate that Mr. Ladd's guarantee covered all liabilities, including the Ladd & Tilton account. But this is not explicitly stated and is only implied in news comments concerning the amount involved in the guarantee. This was generally stated as "about $2,560,000" which was approximately the sum of all the stated liabilities including the debt to Ladd & Tilton.[34]

The impact of these developments upon the personal fortune of W. M. Ladd was disastrous, and this is true without reference to the extent of his guarantee or of possible small ultimate recovery from the assets of the failed bank. But his reasonably prompt and courageous action appears to have saved his own standing and reputation in the community. In order to provide the funds needed, he was compelled to rely on his own share of the estate which was made up largely of land holdings and the Ladd & Tilton Bank. It proved impossible to realize a sufficient sum from the sale of the real estate, and it appears that the funds were supplied by his New York brother-in-law, Frederick B. Pratt or other members of the Pratt family. To secure these advances,[35] the Pratts took over control of the bank. As the years went by, more and more of the Ladd & Tilton stock gravitated to members of the Pratt family until finally Pratt ownership was almost complete. The record of the ownership of stock represented at the annual meetings of shareholders is available in the Minute Book after incorporation in 1908. This shows the drift of ownership from Portland to New York.

On April 29, 1908, before closing of the W. S. Ladd estate, the Minute Book records that 9,950 of the 10,000 shares were held by the Ladd Estate and that five shares each were held by ten individuals. At the annual meeting on Jan. 17, 1911, the stock represented was owned as follows:

Charles Pratt & Co.	3,100 shares	Helen Ladd Corbett	483 shares
Frederick B. Pratt	2,000 shares	H. L. Corbett	5 shares
W. M. Ladd	976 shares	S. B. Linthicum	5 shares
C. E. Ladd	976 shares	T. Wilcox	5 shares

34 Brewster says Ladd "had to provide over two millions in cash within three years without trespassing on bank assets." This implies that his guarantee did not extend to the Ladd & Tilton account.

35 And to settle large debts of other members of the Ladd family, according to Brewster.

J. W. Ladd	976 shares	Edward Cookingham	5 shares
Caroline A. Ladd	976 shares	Total	9,507 shares

When the control of the bank passed to the Pratts, the vice-president, Mr. Edward Cookingham, was placed in charge of the bank, although William M. Ladd was permitted to retain the title of president. He retained the title until January 1919, although he is said to have had little authority. In 1919, Mr. Cookingham was made president and Mr. Ladd was made chairman of the board.

In 1919, the Pratts sold a one-third interest in the bank to the Wilcox interests of Portland. But fortunately for the buyers, the stock was soon repurchased by the Pratts. By 1923, almost all of the stock was held by the Pratt family.

It is clear that the Pratts wished to get away from the direct ownership of enterprises and to concentrate on lending activities. The actions of the directors over the years are in harmony with this policy; the minutes of the board of directors of February 7, 1918 contain this explicit statement: "It was the consensus of opinion of the Directors that it would be wise for the bank to eliminate its stock holdings in various corporations whenever a proper opportunity is offered."

The success of the directors in shifting out of "stocks and bonds" into loans is not accurately measured by changes in these items in the financial statements. This is because sometimes these assets were sold to a group or a corporation organized for that purpose, but the bank loaned nearly the full purchase price to the purchasing group. About all that was accomplished by such a transaction was a change in classification of the asset from "stocks and bonds" to loans, but without any real change in the nature of the asset.

Late in 1923, for example, it would appear that both the Oregon State Banking Department and the Federal Reserve Bank of San Francisco were concerned about the bank's holdings of certain securities. The minutes of the directors' meeting of December 10, 1923 record the sale of 3,840½ shares of Cascade Timber Company and 37½ shares of the St. Paul & Tacoma Company to the "Tilton Securities Company." But the same minutes record a loan of $400,000, or approximately the purchase price, to this same Tilton Securities Company.[36] Evidence that this

[36] Even so, the sale yielded a substantial profit to the bank, if we assume that the "loan" to the Tilton Securities Co. was a sound asset. It is possible that the Tilton Securities Co. was an instrument of the Pratt family, although this cannot be confirmed.

transaction was a result of pressure from regulatory agencies was the inclusion in the minutes of the statement that the sale "had been discussed with the State Banking Department and with the Federal Reserve Bank of San Francisco."

In 1911, the bank had moved from the building at First and Stark streets that William S. Ladd had built in 1868. This move was probably made desirable because the old building had become inadequate for the growing bank and also because the financial and shopping district of Portland had moved farther away from the river. The bank moved into rented quarters in the Spalding Building at Third and Washington streets which it would occupy until sale of the bank in 1925.

The difficulties of the bank in its later years did not apparently involve a loss of confidence of depositors. True, there was a relatively modest decline in deposits after 1919 but this was common to all banks. The real difficulty was the persistent losses on loans and investments. While some of the holdings, especially of bank stocks, could be liquidated in excess of cost, on balance the assets were not only unliquid but overvalued.

The difficulties of the bank were compounded by two unfortunate ventures or associations which resulted in losses and served to embarrass the institution. One of these was the Bankers Discount Corporation. This was a livestock loan company with headquarters in Portland, but which operated as far away as Montana. This corporation had a relatively small stockholder's equity and obtained most of its funds by selling its own obligations, mostly to commercial banks. The decline in livestock prices after 1920 resulted in defaults on many of the loans to livestock operators; these defaults then made it impossible for the Bankers Discount Corporation to pay its obligations, which were widely held by commercial banks.

Ladd & Tilton had not only purchased the notes of the Bankers Discount Corporation for its own account but had, with too much enthusiasm, recommended these notes to its many correspondent banks. These correspondent banks, located in both Oregon and Washington, perhaps relied too much on Ladd & Tilton for investment suggestions. Default on the obligations of the Bankers Discount Corporation inevitably resulted in the correspondent banks blaming Ladd & Tilton for their losses. It is quite possible that they were justified, at least in part, for this belief. There was a conviction on the part of some of these banks that Ladd & Tilton had salvaged part of their own loans to the livestock finance company by "pushing" the sale of the company's notes to their correspondents. This

would in due course result in a damage suit that would complicate the final liquidation of the Ladd & Tilton assets.

An even more serious blow to the prestige and public image of Ladd & Tilton was the affair of the Kings Food Products Company. This was an over-ambitious fruit and vegetable-packing enterprise with plants at The Dalles and Salem. It seems to have emphasized dehydrated foods and is described by some who remember its operations as "ahead of its time." The company was established in 1920 and by the end of 1923 had a large accumulated deficit, although the annual report for that year[37] exuded optimism. But the optimism was entirely unwarranted.

The company had sold additional stock in what was then called "sets" but which would now be termed "units" consisting of one share of preferred and one share of Class A common stock. This "set" or package was sold for $150. Whether any dividends were ever paid on this stock is not entirely clear, but certain it is that no dividends were paid after May 16, 1922; whether or not this latter dividend was applicable to the stock sold in "sets" is now unclear. In any event, purchasers of the stock were unhappy.

The Kings Food Products Company was heavily indebted to Ladd & Tilton and it was the belief of many stockholders of the food products company that Ladd & Tilton had arranged for the sale of the stock in "sets" in order that its own loans to the company might be paid. It was asserted that the bank had been unusually aggressive in promoting the sale of the stock. Indeed, it is not unusual or reprehensible for a bank to encourage a borrower to reduce current indebtedness by means of some form of permanent financing. Whether or not the bank promoted the sale of the stock, knowing it had little value, certainly cannot be established. But whether the pioneer bank was or was not guilty of misrepresentation or malpractice was not important; guilty or not, the public standing and reputation of the institution was impaired.

The damage to the bank's standing and reputation was intensified by the activities of a group that called itself "The Financial Investigation Corporation." This organization was headed by a man who had resigned from the Oregon State Bar in 1919 while disbarment proceedings against him were pending. This so-called investigation corporation actively solicited stockholders of the Kings Food Products Company[38] for "contracts

[37] The annual report of the company for the fiscal year ending Mar. 31, 1923 is in Special Collections, the University of Oregon Library.

[38] Also, the stockholders of the Multnomah Lumber and Box Company and several finance companies that were in financial difficulties.

of employment." It was represented that the Financial Investigation Corporation would be able to recover much or all of the stockholders losses by bringing timely suits against those allegedly responsible. High pressure methods were employed and salesmen attempted to collect as much as 10 per cent from the stockholders either in cash or notes; but they were instructed to take whatever they could get when a stockholder was unwilling to pay as much as 10 per cent. Solicitors were paid a commission of 20 per cent.

Presumably in order to give color to the claim of the Financial Investigation Company to recover stockholder investments, a suit was brought in the name of a Mrs. Agnes B. Wigle against the Ladd & Tilton Bank and others. Mrs. Wigle was an inexperienced cafeteria employee who was apparently misled by the ex-attorney who headed the Financial Investigation Corporation. Although the suit against Ladd & Tilton was brought in her name, it was in fact the action of the Financial Investigation Corporation.

The activities of the investigation corporation were vigorously opposed by the Better Business Bureau.[39] This civic agency publicized the previous record of the head of this investigation corporation and pointed out to stockholders the futility of payments to the ex-lawyer. The Bureau declared that "This dummy corporation (Financial Investigation Corporation) has initiated a brand new method of mulcting investors, entirely outside of control under the Blue Sky statutes. The scheme was daring in conception and only a brazen swindler such as its president . . . would have attempted to put the method into effect."

Perhaps Governor Walter Pierce did not mean to aid the efforts to induce stockholders to pay a 10 per cent fee to the Financial Investigation Corporation, but it is quite probable that he was of substantial assistance. The stock of a number of local corporations had been sold during the period of inflation in 1919-1920; moreover, in 1920 had occurred the rather odorous failure of Morris Brothers, a Portland security firm. Many persons had bought quite sound securities through this firm and had accepted "interim certificates" or receipts in lieu of the actual securities purchased; they had then unwisely failed to demand delivery of the se-

[39] A report of the Better Business Bureau concerning the Financial Investigation Corporation together with "The Confession of a Former Salesman for the Financial Investigation Company," and a publication of the Financial Investigation Corporation called "Facts for the Stockholder" are in Special Collections, University of Oregon Library.

curity and had continued to hold these interim certificates. The result was a substantial loss to investors when the firm failed.[40]

Against this background, the governor, on July 19, 1924, appointed a committee to look into the matter of security frauds. The committee consisted of L. A. Liljeqvist, an assistant attorney general, George Black, and former governor Oswald West. The committee was told by Governor Pierce:

> It has been charged that these issues were promoted by men whose names carried much weight in the community and in whom inexperienced investors had reason to have confidence. . . . It has been charged that in many instances the money derived from the sale of securities was not used for the purpose of development . . . but was used to pay off accumulated indebtedness which could not otherwise be paid off as the concerns were all but bankrupt. . . . I ask you . . . to make a thorough investigation of all matters and to report your findings to this office. After the report has been received, such further action will be taken as your findings would seem to justify.

It would not be inaccurate to say that the committee made a more or less political investigation, with reports to newspapers well in advance of the filing of the final report. But the investigation was news that without doubt was embarrassing to Ladd & Tilton. In the late fall of 1924, the report was filed with the governor and promptly laid away to gather dust.[41]

40 There also resulted passage of legislation regulating the issuance of interim certificates.

41 The final report of the committee cannot be found, although the "Preliminary Report" was released to the press on Aug. 19, 1924. Mr. Liljequist of the Attorney General's office did not participate in the committee's work. This preliminary report was reprinted in full in the *Oregon Statesman* of Aug. 20, 1924, and concerned the Kings Food Products Company. It charged that the Ladd & Tilton Bank was both morally and legally responsible for the losses suffered by stockholders and urged that if the bank refused to make good the losses to the five or six thousand stockholders that action be brought through the Attorney General's office. It was asserted that the concern was "defunct and hopelessly in debt at the time the Ladd & Tilton Bank assumed the work of reorganizing it and selling its stock." No real proof was offered that the bank had "assumed the work of reorganizing the company" although there seems little doubt that company debts to the bank were liquidated from the proceeds of security sales. The report summarized the disposal of funds from stock sales as follows:

It is reasonable to surmise that, at the very least, no legal liability on the part of Ladd & Tilton was uncovered. If such liability could have been shown, it is certain that, in the light of the political circumstances of 1924, legal action against the bank would have been undertaken. The surprising thing is that Ladd & Tilton depositors remained relatively calm. The sensational charges of the "Financial Investigation Corporation" and the hearings of the governor's committee did not serve to impair the loyalty of the depositors.

The Kings Food Product affair was in many respects comparable to the Title Guarantee and Trust Company incident of 1907. But this time William M. Ladd could not be blamed. True, he was chairman of the board of directors, but his responsibilities included very little more than presiding over the meetings of the directors.

Although no legal claim against the bank for damages was ever established, and though much of the hue and cry was stimulated by those who sought to profit from the commotion, it is undeniable that the Kings Food Products Company incident was a serious embarrassment to the bank and its owners. It was undoubtedly a major factor in the decision to liquidate the banking enterprise. Even though no legal liability attached to the bank, the Pratt family, who now owned almost all of the stock, evidently felt some responsibility to the stockholders of the ill-fated com-

Cash received from stock sales not including partial payments		$1,711,250
Debts paid To Ladd & Tilton	$697,600	
Other obligations	180,000	
	877,600	
Sales Commissions	342,250	1,219,850
Balance		$ 491,400

In addition, it was said that the company had assumed a debt to Ladd & Tilton amounting to $246,570.

The charge that the bank was responsible, "both morally and legally" was based on the fact that much of the stock sales' proceeds were used to liquidate debts to the bank and that a vice-president of the bank served on the board of directors of the food company. In addition, it was said that stock salesmen for the Dundas-Martin Agency (fiscal agents) carried "photographic copies of letters of commendation from the Ladd & Tilton Bank as well as the First National Bank of The Dalles" addressed to the company. These letters were said to be "couched in language which could be used as an alibi in case of disaster, but nevertheless served the purpose of the promotor."

pany. In later years they would voluntarily offer assistance to the company in connection with an effort to reorganize; when that effort proved unsuccessful, they would submit to stockholders a cash offer for their quite worthless stock.

The corporate minutes do not reveal precisely when the decision was made to liquidate the bank,[42] but other evidence indicates that in the latter part of 1924 or perhaps in January 1925 the Pratts had asked Mr. E. B. MacNaughton to examine the bank and to recommend a course of action.[43] Mr. MacNaughton was then a principal in the Strong and MacNaughton Trust Company and would later become president of the First National Bank of Portland. The decision to sell or liquidate the bank was not mentioned in the minutes until the day the sale was consumated, but it is clear that the directors were following a liquidation course for at least a year before final action in July 1925. As a matter of fact, the directors were not asked to authorize the sale; instead it was announced to them that the sale had been authorized by the Pratts.

That the State Banking Department and perhaps the Federal Reserve Bank of San Francisco were concerned with the condition of the bank is evident. In recording the sale of certain of nonliquid assets it was sometimes noted in the minutes that the matter "had been discussed with the State Banking Department." Included in the minutes is a letter from Frank Bramwell, State Superintendent of Banks, dated August 24, 1924 with adverse comments on various assets. The directors were not disposed to quarrel with these adverse comments; they were probably aware of the doubtful nature of some of the assets not enumerated in the Bramwell letter.

The directors were willing to charge off the bad and doubtful items. But the problem was not as simple as that. There must have been doubt about the adequacy of the surplus and undivided profits to absorb all losses, especially in view of the worsening situation. The charge-offs of losses in these later years is summarized below:

[42] This certainly is not surprising. Corporate minutes seldom reflect the development or conflict of ideas but only the action finally agreed upon. It should also be remembered that the real power was with the Pratt family and not the local directors.

[43] This is the recollection of Mr. C. B. Stephenson who was then employed in the legal department of Ladd & Tilton and who would be assigned the job of liquidating the assets remaining after the sale of the bank. Mr. Stephenson in later years would become president and then chairman of the board of the First National Bank of Portland.

Charge-offs to Undivided Profits

Date	*Items*	*Amount*
Jan. 11, 1923	36	$162,541
Feb. 7, 1924	16	170,006
Dec. 1, 1924	45	251,731
Jan. 2, 1925	37	6,186
Feb. 26, 1925	17	336,167
		$926,631

But these charge-offs did not clear the books of doubtful assets. At the directors' meeting on July 11, 1925 following the stockholders meeting at which the sale of the bank was announced, a letter from the State Banking Department was read, listing further losses of $573,553.

As a means of removing other doubtful and bad assets, the Manhattan Company was incorporated with a capital of $500,000. As suggested by the name, this company was simply an instrumentality of the Pratts. The Manhattan Company then took over bank assets with a book value of about $800,000. In order to finance this takeover of assets, the bank loaned the Manhattan Company $374,361. The assets taken over from the bank included what was probably the last holdings of other financial institutions. The prices at which these securities were sold to the Manhattan Company were in excess of cost. These securities, which may have been acquired during the lifetime of William S. Ladd, were the following:

	Sale Price	*Profit*
Equitable Savings and Loan Association	$15,000	$ 2,000
First National Bank of Astoria	30,000	6,880
First National Bank of Yakima	75,000	36,700
Dexter Horton National Bank	55,000	23,664

The arrangements for sale of the institution were completed by July 11, 1925, and on this day a special meeting of stockholders was held. Whether any of the Pratt family were present does not appear in the record. It is perhaps likely that the family proxies were assigned to Mr. MacNaughton. Anyway, there was nothing for the stockholders to do but to ratify the action taken. The minutes record: "Mr. MacNaughton stated that negotiations had been conducted with both the United States National Bank of Portland and the First National Bank of Portland and that offers from both had been submitted to Charles B. Pratt Company of New York, principal stockholder of the bank. The officers had been authorized to accept the offer of the United States National Bank."

At the directors meeting following the meeting of stockholders the plan of sale was set forth in some detail. The outline of the plan was as follows:

The United States National Bank would assume the deposit liabilities of Ladd & Tilton.

Ladd & Tilton would transfer sufficient "good" assets to the United States National Bank to cover the deposit liabilities. But the assets to "cover" would be the deposit liabilities less $700,000 representing the value of the deposits or "goodwill." The assets transferred to the United States National Bank would be guaranteed by Charles Pratt & Company.[44]

Ladd & Tilton would then file supplementary Articles of Incorporation eliminating the banking function, and changing the name to the Nassau Company.

The Nassau Company would then liquidate the remaining assets for the benefit of stockholders.

As is usual in such cases, the actual physical transfer of the assets of Ladd & Tilton from Third and Washington to the United States National at Sixth and Stark Streets was accomplished over a weekend and before public announcement of the sale of the bank. Many employees of Ladd & Tilton worked through Saturday night and Sunday to transfer the customers' safety deposit boxes, the cash, notes, and securities, as well as other assets. This transfer of assets was a major undertaking and was accomplished in enclosed drays drawn by draft horses. The *Oregon Journal* (July 13, 1925) described the move as follows: "Appropriately, the pioneer business institution was moved by heavy footed, honest horses such as in various years gone by switched flies with their tails while waiting at the bank hitching-post—no automobiles were wanted." But the news story further disclosed that the decision to use draft horses rather than trucks was in no way concerned with nostalgia or sentiment. The basis for the decision to use horses would not have pleased animal lovers: The value of the assets transferred was in the millions and a significant proportion was in readily negotiable form. It was thought that the armed guards stationed in the drays could better protect these negotiable assets if they could effectively prevent bandits from seizing the vehicles and driving them away as they might have done if motor trucks had been used. Accordingly, these guards were instructed that if attacked

[44] The allowance for goodwill is not specifically noted in the minutes. But this allowance is definitely recalled by Mr. C. B. Stephenson (interview, Apr. 16, 1963).

by bandits they were first to shoot the horses and then concern themselves with the bandits!

It was not easy for Ladd & Tilton to find "good assets" satisfactory to the United States National in an amount sufficient to match the deposits transferred. Some of the assets tendered were rejected by the United States National and demand was made for substitution by other assets. While the requirements of the purchasing bank were somehow met, the assets that were retained for liquidation by the Nassau Company must have been mostly nonconvertible and of doubtful value.

Supplementary articles of incorporation were promptly filed, and a few days later, on July 14, 1925, the Directors of the Nassau Corporation held their first meeting. The directors were: Edward Cookingham, Walter M. Cook, C. B. Stephenson, C. B. Woodworth, and E. B. MacNaughton, liquidating agent.

The directors of the Nassau Company faced the problem of liquidating slow and doubtful assets. Many of the loans were secured by mortgages on properties on which the taxes were in arrears for several years. Sometimes they had to make the difficult decision on whether or not to advance further funds in order to prevent tax foreclosure on properties on which the company held a mortgage. That the process of liquidation was a slow and frustrating one is clearly evident in the minutes. The record does not disclose the final payout to stockholders, but it must have been small. Neither does the record disclose the cost to the Pratt family of the guarantee of the assets turned over to the United States National Bank of Portland. The period of liquidation stretched into the depression years and was not terminated until November 30, 1931. But this date marked the termination of the Nassau Company rather than the completion of the liquidation. The book value of the remaining assets was a little in excess of $200,000 and the possible further recovery did not appear to justify the cost of keeping the Nassau Company alive. Accordingly, on this date the directors sold the remaining assets to the Manhattan Company for the job lot price of $30,000. Since the Manhattan Company was an instrument of the Pratts, who also owned virtually all of the Nassau Company, this "final sale" was in effect a distribution in kind, which permitted the Nassau Company to die a decent death.

The tangled affairs of the Bankers Discount Corporation and the Kings Food Products Company continued to plague the directors of Nassau and the Pratts for some years after the sale of the bank. Early in 1926, a group of six banks and one individual brought suit against the Nassau Company as the successor to Ladd & Tilton, claiming damages of approxi-

mately $250,000, and alleging that the Ladd & Tilton Bank had completely dominated and controlled the Banker's Discount Corporation to the extent that the bank was in fact the directing head of Banker's Discount. Those who joined in the suit were First National Bank of Aberdeen, Washington; First National Bank of Medford, Oregon; Peninsula National Bank of Portland; Astoria National Bank of Astoria; Columbia Trust & Savings Bank of Astoria; Vancouver National Bank of Vancouver, Washington; and Mr. Ronald E. Jones.

In the opinion of the directors of the Nassau Company, the suit was without merit, but it was feared that under all the circumstances the complainants might be successful. Moreover, there seemed to be at least a possibility that the sale of the bank to the United States National Bank might be upset. In these circumstances, the directors sought an out-of-court settlement. On May 10, 1926, the directors approved a settlement of the damage claim for $118,350. This must have been a serious blow to hopes of stockholders for a satisfactory liquidation payment on their stock.

Although the records of the Nassau Company do not reflect any negotiations concerning possible reorganization and rehabilitation of the Kings Food Products Company, it is clear that such negotiations were undertaken. It is quite possible that directors of Nassau participated in these negotiations, but since the final plan was not carried out, did not elect to record their action in the minutes. It is also quite possible that the Pratts were directly involved in the negotiations. But the directors of Nassau must at least have been informed of developments since the Nassau Company was assigned a role in the proposed reorganization. The *Oregonian* of December 22, 1926 reported that "an agreement was reached yesterday between representatives of the Nassau Company and representatives of the stockholders of the defunct Kings Food Products Company."[45] The essentials of the plan of reorganization were as follows:

A new company would be organized to operate the Salem and The Dalles plants. Stock in the new company would be held by stockholders of the Former Kings Food Products Company. Presumably, this stock would be given these stockholders without payment.

The Nassau Company would foreclose the mortgages it held against the

[45] These negotiations must have provided something of a lawyer's field day. The news accounts reported that the Nassau Company was represented by Wood, Montague, Mathieson, Dey, Hampton and Nelson, and by Winter and McGuire, Prescott W. Cookingham, and Dan J. Malarkey. The stockholders were represented by L. E. Crouch and John F. Reilly.

properties and turn over the "Sheriff's Certificates" to the new Kings Food Products Company.

An operating fund of $125,000 would be paid by Nassau to the Strong and MacNaughton Trust Company to be held in trust for the new company.

The stock of the new company would be held in a voting trust for three years with trustees to be selected by Mr. Cookingham.

In effect, this plan contemplated that Nassau would surrender whatever claims against the Kings Food Products Company it might have, and in addition would make a voluntary contribution to the working capital of the new firm. In retrospect, this appears to have been a most generous offer. The Pratts must have felt a strong moral responsibility since no definite legal liability seems to have been established. But the plan was not put into effect; why this was not accomplished is not now clear. Perhaps it was too late in the year to make satisfactory arrangements for credit and growers contracts for the 1927 season. Evidently the Nassau Company was not required to make the working capital contribution.

A few years later, in 1929, the Pratts offered to purchase the stock of the Kings Food Products Company at a price of $15 per "set" or unit of one preferred and one common share. Since the stock was originally sold at $150 per set, this represented a settlement of 10 per cent.[46] This offer, which must have been accepted by virtually all of the stockholders of the defunct company, may have cost the Pratts as much as $250,000. But both the Pratts and the Portland directors of the Nassau Company must have been relieved with the removal of this source of embarrassment.

And so the once dominant and proud empire of Ladd & Tilton ended its days. In the heyday of the swashbuckling, and perhaps somewhat arrogant, William Sargent Ladd the bank had been a powerful instrument in the growth and development of a mighty empire. It is noteworthy that even in its last days the depositors did not display any loss of confidence in the institution. Even with the advantage of hindsight from nearly a half-century distant, it is not easy to be confident of the

[46] The *Oregon Voter* of Nov. 16, 1929 included a letter to the editor from a disgruntled stockholder who inquired whether he should accept this offer. He was advised by the editor that the $15.00 offer represented "found money," since the company was dead and had no assets. He was advised that this offer came from the Pratts who were "owners of the Portland bank which had in a measure sponsored the Kings Food Products financing through stock sales."

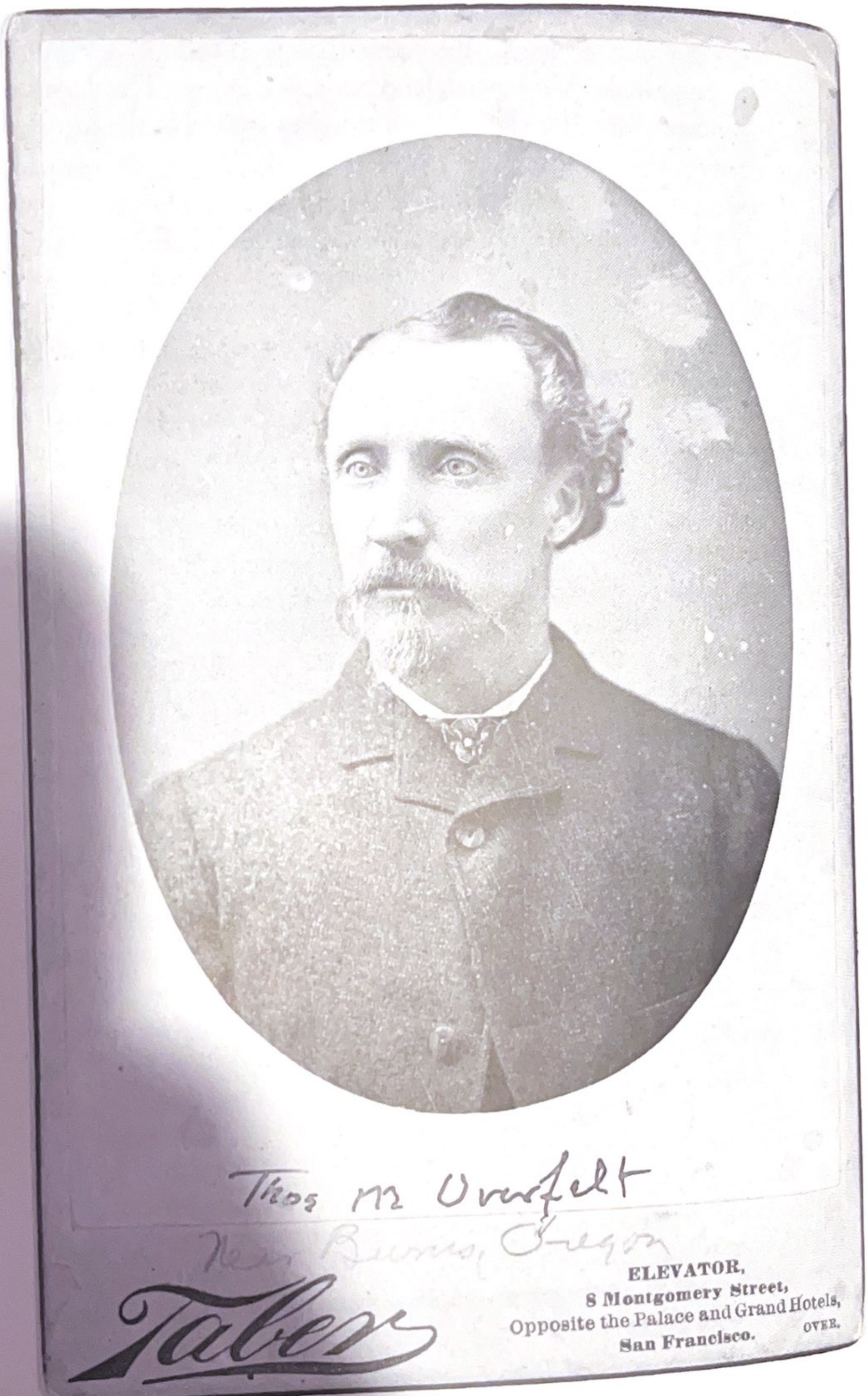
basic reasons for the decline and fall of this pioneer banking institution. We can only offer hypothesis and conjecture.

Perhaps it was a matter of the failure of the institution to adapt to a changing world. The methods of William S. Ladd were appropriate to the great days of empire building in the last half of the nineteenth century; during these years Oregon and the Pacific Northwest were coming to maturity. Railroads and manufacturing plants were being created and there was a tremendous expansion of population in the region. During such a period of expansion, the dedication of bank resources to the ownership and control of business enterprises proved to be both profitable to William S. Ladd and advantageous to the region. To be sure, this was all dependent upon the good judgment of the one who made the decisions as to which enterprises to promote or support. But perhaps such decisions were a little simpler in that human wants were not quite so varied as in later years. The enterprises which were the basis for the success of Ladd & Tilton in the nineteenth century supplied rather simple and basic needs—transportation in an area where almost any facility was better that that available before, flour milling, land ownership in an area of rapid increase in population. Methods that were appropriate during the lifetime of William S. Ladd were carried over into the first quarter of the new century when such methods were no longer appropriate.

Perhaps the failure of the Title Insurance and Trust in 1907 was a contributing factor in the ultimate demise of the bank. By itself, this episode seems not to have had any particular effect on the bank; depositors did not lose confidence in the institution, although it is likely that the bank had to absorb a loss on the loan to the failed bank. But the consequence of this episode was the transfer of the controlling interest in the Portland bank to New York. Perhaps it was true that not even Standard Oil millionaires are qualified to manage a Portland bank from New York City. This is not to imply that the Pratts attempted to control details of banking operation, but it was inevitable that basic policies would have to be established or approved by the dominant ownership interest. Perhaps the death of the bank is merely another demonstration of the consequences of control and policy-making for a business enterprise by absentee owners.

It is fortunate that the decision to liquidate the enterprise was not further delayed. Building construction, the mainstay of Oregon's principal industry, turned downward well in advance of the general business decline that followed 1929. If liquidation had been delayed even a brief time, the consequences for the stockholders, and perhaps even the depositors, might have been serious.

Without doubt the banking structure was strengthened by the sale of the pioneer bank. But nevertheless a link to Oregon's past had disappeared. A financial landmark was gone. The business and financial community brushed away a tear, but looked to the future with confidence.



Tom Overfelt. Oregon Collection, University of Oregon Library.

"Mr. Overfelt, Agency Valley will make a fine headquarters and will be good for cattle... I will never forgive you if you fail to get Agency Valley."

THE BULL'S HEAD DRAFTS

a private money system and a wild night ride in Southeastern Oregon

Bank deposits subject to check are counted by economists as the major portion of "money supply." But demand deposits are not money in the narrow sense. In the modern world, the definition of money, and its issuance, is a function of government. The Constitution of the United States reserves to the Congress the power "to coin money and regulate the value thereof." But in primitive societies, such objects as porpoise teeth, beaver skins, salt, blankets, and cattle have served as money.

The commonplace explanation of economics textbooks is that the division of labor creates a need for a medium of exchange that will also be a measure of value. Robinson Crusoe had no need for money because he supplied all of his own needs, and there was no opportunity for division of labor and exchange.

Money, in the narrow sense, requires nearly universal acceptability and this has meant, at least in the modern world, government monopoly in the issuance or coinage of money. This has been especially true since the emergence of credit money. Money is debt, and private debt ordinarily does not command universal acceptance. In the period of state bank notes, prior to the Civil War, the debts of the state banks did serve as money, although these notes had varying degrees of acceptability.

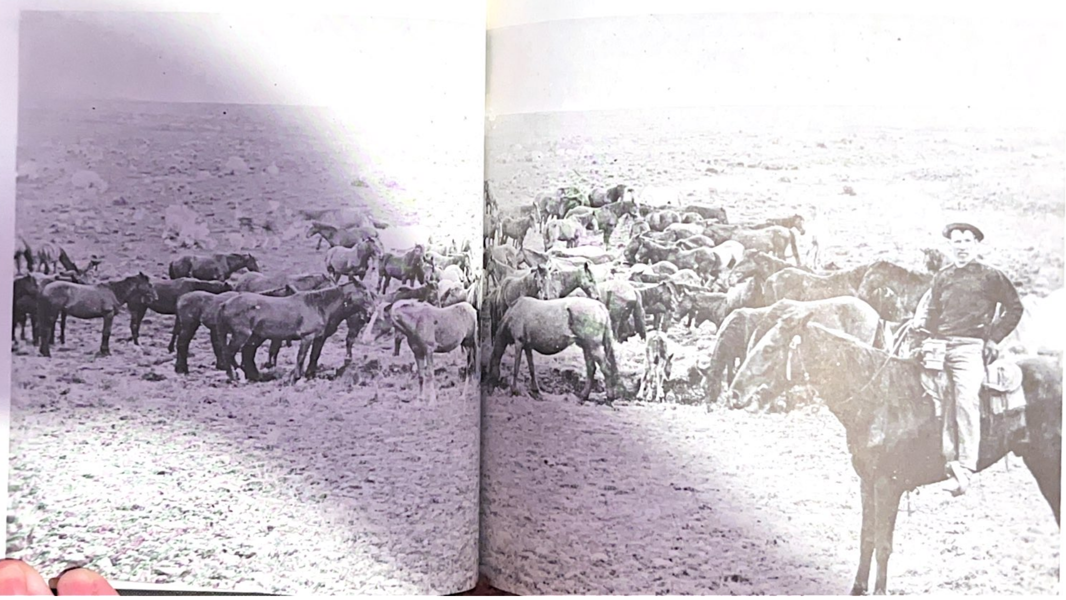
Bank checks drawn on demand deposits do facilitate exchanges but bank deposits are not a standard of value. Bank checks do not normally

circulate from person to person, as does money in the form of currency and coin. The payee of a check may be expected to present it for payment to the bank on which it is drawn; he seldom uses it in making payments to third parties. It is true, of course, that the payee of a check may accept payment in the form of a deposit in the same or another bank so that the total of demand deposits is not reduced. In this sense, perhaps, demand deposits do circulate, in that payments are made by transferring ownership of deposits without reducing the total of such deposits.

Checks are a convenient substitute for money, a means of making money more mobile for exchange. But checks could not exist without

the prior existence of something to serve as a standard of value.

Though checks do not normally circulate from hand to hand as true money does, there are rare circumstances that may cause checks to be used almost as currency is used as a means of payment. These circumstances include: (1) an issuer of checks whose credit is unquestioned, and who is willing to issue checks in convenient amounts, (2) a scarcity of currency or coin for making payments, (3) unquestioned financial stability of the bank on which the checks are drawn, and (4) inconvenience or difficulty in presenting checks to the bank for payment. This combination of circumstances in the 1880s in southeastern Oregon resulted in



Horse wrangler and his herd, in the days of the great cattle empires in Eastern Oregon.

use of bank checks almost as currency and coin were used. The checks were drawn on the Bank of California by the great cattle-ranching empire of Miller and Lux. The credit of this firm was beyond question, but the nearest branch of the Bank of California was in Oakland, which made presentation difficult and inconvenient. Moreover, the checks were sometimes drawn in convenient denominations to facilitate payments. There is no evidence that these checks were ever made payable to "bearer," though this may have been done; if it were done, the resulting circulation would have constituted a true form of private money. But there is no doubt that the checks did pass through many hands prior to presentation to the distant Bank of California, and so did serve in a limited way as money. These drafts were "bull's head money" or "bull's head drafts," because a picture of a bull's head was imprinted on the check form.

The great Miller and Lux cattle empire was dominated by Henry Miller. The junior partner, Charles Lux, who died in 1887, played only a small role, and was concerned only with management of the meat packing establishment in San Francisco, and with maintainence of the firm's relationships with banks, especially the Bank of California. The firm enjoyed virtually unlimited credit at this bank. The credit extended was wholly on an unsecured basis; no mortgage on land or livestock was ever given. Indeed, the extension of credit was sometimes not even evidenced by a promissory note, the firm being allowed to overdraw its account.

At the peak, the land and cattle holdings controlled by Henry Miller probably exceeded even those of the fabulous King Ranch in Texas. It was the boast of cowboys that cattle could be driven from the firm's southeastern Oregon ranches to the Miller and Lux ranches in Southern California, and that the cattle could be bedded down every night on Miller and Lux land. No evidence has been presented to confirm that this was literally true, but it is certain that Henry Miller was an important factor in the development of the ranching economy of the West.

Henry Miller's association with the Oregon cattle industry began on a day in the 1870s when he found a bunch of steers with the "LF" brand on their hips in his California corrals. They were the finest steers he had ever seen and he was quick to inquire where they had come from. He was told that they came from the Malheur country in Oregon[1] and

[1] So called from the Malheur River. All of Southeastern Oregon was then included in Grant and Baker counties. Malheur County was separated from Baker County in 1887, and Harney County from Grant County in 1889.

had been driven to California by Tom Overfelt, the owner. Miller lost no time in finding Tom Overfelt, and traveled with him back to Oregon. Here he found a country with great potential for cattle raising and relatively unoccupied. This could not be tolerated by such a man as Henry Miller. A business alliance between Miller and Overfelt was proposed and accepted; Miller was to furnish the money and over-all direction. Overfelt was to be the local manager of the properties. The enterprise took the name of Overfelt and Company, probably because Tom Overfelt was well known in southeastern Oregon. As was customary with Henry Miller, he was the dominant partner. In fact, Tom Overfelt became little more than a hired manager, with a share in the profits. Very shortly the firm was known simply as "the Company."

Credit relations were established with the Bank of California, and Tom Overfelt was empowered to draw "bull's head drafts" on the company account. These drafts soon came to be accepted virtually as money.

Firmly embedded in the local legend, and indeed included in several local histories, is the story that in a certain legal proceeding, the United States government, through the general land office, handed down a decision to the effect that these "bull's head drafts" should be considered as "money" because they were so regarded in the area.[2] But the story does not stand analysis and must be regarded as interesting myth, along with the story that hungry wolves ate up Dr. Baker's "rawhide railroad," and that "Whitman saved Oregon."

When Henry Miller and Overfelt arrived in Oregon from California they rode over the ranches that Overfelt had already acquired, and the two men made plans to purchase Indian land as soon as it became available for purchase. During the day, they came to the top of a mountain and looked down on Agency Valley. This was the site of the Indian Agency. The valley was well-watered by irrigation, and the floor of the valley was green in sharp contrast to the dry hills surrounding it.

That night Miller instructed Overfelt on operations, including land purchases. Finally as he was about to leave, he said, "Mr. Overfelt, Agency Valley will make a fine headquarters and will be good for cattle. I can

[2] Local histories that give this version include: *History of Baker, Grant, Malheur and Harney Counties* (Spokane, Wash., 1902); *Harney County, Oregon and its Range Land* by George Francis Brimlow (Portland, 1951); *The Cattle King*, by Edward F. Treadwell (New York, 1931). This latter book is little more than a eulogy of Henry Miller. A brief account of this episode and the career of Henry Miller by Dorothy Lois Smith appeared in *The Oregon Journal*, Nov. 4 and 5, 1957.

never forget it. Keep your eyes open, and as soon as it is offered for sale, buy it at any price. I will never forgive you if you fail to get Agency Valley."

The government soon opened the Indian lands to entry, but with the exception of Agency Valley. Overfelt bought such lands as became available. In a few years "the Company" owned Silvies Valley, Drewsey Field, Warm Springs, Big Stinking Water, Harper Ranch, and many others. But Agency Valley was still in government ownership.

One day in September 1883, Overfelt was at the company's headquarters in Silvies Valley, some thirty miles north of Burns, when word was brought to him that a legal notice had been found posted near Agency Valley, that the Valley was to be sold at an auction the next day at 12 o'clock at the United States land office in Lakeview, two hundred miles away.

Overfelt did not hesitate for a minute; he remembered that Henry Miller had said that he would never be forgiven if he allowed Agency Valley to slip through his fingers. He called for his horse, and set off for Lakeview within minutes.[3]

The road led down the narrow canyons of the Silvies River, and Tom Overfelt pushed his horse to the limit because he knew that between the Silvies Valley and Burns he would meet friendly riders with whom he could change horses. Several such changes were made before he reached the little cowtown of Burns. From Burns, the road led across the Harney Valley and past Bill Hanley's "OO" ranch, east of Iron Mountain, and into the timber east of Lake Abert. From here, the going was somewhat easier until he reached the narrow canyon that led into Lakeview. His route lay somewhat to the east of the present Highway 395. But it was not a road that he traveled; except for the Harney and Warner Valleys, it was sagebrush, sand, stunted juniper, and lonely rim rock.

All night he rode, accompanied by the mournful howl of coyotes, and fearful always that his horse might fall, thus compelling him to walk and to lose the opportunity to buy the coveted land. When he came to iso-

[3] Brimlow states that Overfelt made the trip in a buggy and was accompanied by Maurice Fitzgerald. This seems hardly credible. The 200 miles had to be traveled in about twenty-four hours and would have required a sustained speed of about eight miles an hour. Moreover, there was very little road and it is difficult to believe that some of the canyons and low mountains could have been negotiated in a buggy and at eight miles an hour. In addition, it would have been more difficult to secure changes of horses. It should be said, however, that this book was sponsored by the Harney County Historical Society, and this account could be correct.

lated ranch houses, he roused the sleepy occupants and briefly explained the need for a change of horses. These lonely ranch families, once they understood, were happy to give him a bit of food and to send him on his way with a fresh horse. It was nearly noon when he rode down the steep Bullard Canyon into Lakeview and continued past the saloons and stores to the land office.

He found the astonished receiver and two prospective buyers, who were smoking cigars and reading the notice of sale. Very shortly the auction began. The bidding began slowly, and Overfelt raised each bid by only a small amount until he felt that the rival bidders had about reached their limit. Finally, after a whispered conversation, Tonningson, one of the rival bidders, raised the bid to $3,850. At this point Overfelt impatiently raised the bid to $7,000, and the receiver had no alternative but to declare the sale ended and Overfelt the buyer.

Immediately, Overfelt produced a draft book, drew one of the well-known bull's head drafts, payable to the general land office, and proffered it to the receiver.

But the receiver handed the draft back to Overfelt, saying, "I am sorry, Mr. Overfelt, but this is a cash sale and you will have to pay in cash." Overfelt protested that bull's head drafts had always been regarded as equivalent to cash, and had, in fact, been accepted as cash by the land office. But the receiver was adamant, and refused to complete the sale.

According to the story that has become imbedded in local legend, the receiver then and there accepted the offer of the next highest bidder, Tonningson, who produced $3,850 in cash. Overfelt then appealed to the United States general land office, and, according to the story, that Federal agency decided that, since bull's head drafts passed as money in the area, they should be regarded as money by the land office. The sale to Tonningson, therefore, was ordered to be cancelled, and the sale of the land to Overfelt confirmed.

This is apparently not an entirely accurate account of the events of this disputed transaction of early September 1883.[4] When the bidding was

[4] Based on printed decision of the General Land Office, Overfelt v. Tonningson, *Decisions of the Department of the Interior*, Feb. 27, 1885, Vol. 3, p. 425. In this decision, the Commissioner indignantly rejected allegations of collusion and fraud, made by Overfelt against persons described only as "prominent citizens." But no evidence was cited by the Commissioner in dismissing the charge of collusion against the receiver and others. The Commissioner's disavowal does not demonstrate the absence of collusion. The account here of the events that followed the initial bidding is based on this decision.

completed, and Overfelt's proffer of a bull's head draft was refused, the land was not immediately sold to Tonningson, the next highest bidder. Instead, a re-offering was scheduled for the following day. Overfelt then wired[5] the San Francisco headquarters of Miller and Lux, instructing them to deposit $7,000 with the United States assistant treasurer in San Francisco, which was done. The sale on the following day was simply a repeat performance, Tonningson bid $3,850 and Overfelt again bid $7,000. But the receiver refused to accept either a bull's head draft or evi-

[5] It is surprising, but true, that telegraph service was available in Lakeview as early as 1883. A news account in the *Lake County Examiner* for Apr. 11, 1901, indicates that this service was not that of the well-known Western Union Telegraph Company but was supplied by the California-Oregon Telegraph Co. Until 1901, the telegraph office was in the home of Will T. Boyd, the operator.

Klamath Indian Agency, July 4, 1885.

dence that the funds were deposited with the Treasury. He confirmed the sale to Tonningson.

Overfelt appealed the decision to the general land office, and in time a decision was made directing the local receiver to cancel the sale to Tonningson and to confirm the sale to Overfelt. But, perhaps unfortunately, the decision did not turn on the acceptability of bull's head drafts or their equivalence to money. The case was decided on a narrow and technical point. Although general legislation covering the sale of public lands did require payment in cash, authorization for the sale of Agency Valley was provided in a separate statute; and this statute did not specifically require cash payment.

In making the decision on this legalistic basis, the commissioner spoiled a good story; if the decision had turned on the equivalence of bull's head drafts and money it would have made a fine illustration of official recognition of a private money system. But the myth, of course, will live on.

Photographs, University of Oregon Library.

A SMALL MATTER OF A SEMICOLON

how the court, by judicial interpretation, changed punctuation in the Oregon constitution

Interior of an Oregon Bank, 1907.

The delegates despised banks and took the steps necessary to prevent the development of banks and banking in Oregon.

The men of the Oregon Constitutional Convention of 1857 had no love for banks. Indeed, it would not be inaccurate to say that they despised banks and took the steps they considered necessary to prevent the development of banks and banking in Oregon.

This attitude was shortsighted, although it is entirely understandable. Most of the delegates to the convention had not been born in Oregon, but had moved to this state from the midwestern and southern states, and their observation had been limited to the banks in these states. The system of national banks was not established until 1863; the banks known to the delegates were state banks, typically small and frequently unsound. During this period of so-called "wildcat banking" there was inadequate control of bank organization and operation. The paper money of the time consisted of notes issued by these small state banks. Indeed, until about 1860, the volume of such notes outstanding considerably exceeded the total deposits in the same banks. But these bank notes varied in value and acceptability, depending upon whether or not they would be redeemed in specie by the issuing bank, and whether the issuing bank was well known. This limited acceptability of money made commercial transaction more difficult, and was a frquent source of loss. The question, "how do you pay?" was a necessary preliminary in commercial negotiation.

There was little money in circulation in Oregon territory, and almost all of it was in the form of gold and silver coin. Most of the delegates had never known a sound banking system, and it may not have occurred to them that there was any such thing. It is understandable that they would wish to have no banks rather than unsound banks.

It is unfortunate that no verbatim account of the debates in the convention of 1857 exists. This is not because the delegates were unaware of the significance of the proceedings. It is simply that their sense of economy weighed more heavily than their sense of history. When the convention began, the president, at the direction of the delegates, appointed a committee to confer with competent reporters on the subject of reporting the debates and proceedings. But it was stipulated that said reporter or

reporters should look for their compensation to a future appropriation from some other entity.

The select committee reported to the convention a few days later that they had conferred with two competent and practical reporters who were willing to report the proceedings for $300 to $500, and to look for compensation to a future appropriation of either the Congress, or the territorial or state legislature.

But this arrangement did not satisfy the delegates; they were unwilling to ask a future state legislature for such an appropriation, although they were willing to have the work done if the reporters would look only to the federal government for payment. This was apparently not satisfactory to the reporters and the whole matter was dropped.

However, it does appear that the reporter, Mr. Malone, did take stenographic notes of the debates in the Convention. But he refused to transcribe the notes unless compensation was provided. No one was sufficiently interested to present the matter to a subsequent legislature. John R. McBride, who was a delegate, reported in 1902[1] that these stenographic notes were probably still in existence and urged that efforts be made to secure them. Nothing came of his effort.

The Journal of the Convention is available, although it was not published until 1882. This includes little more than the bare bones of the resolutions and votes. Fortunately, however, the newspapers of the time reported the debates rather fully, and in 1926, Charles H. Carey brought together the Journal and the newspaper reports of the debates in a publication that provides an excellent view of the proceedings.[2]

Many of the provisions of the Oregon Constitution were copied or adapted from the constitutions and laws of other states. But the provision concerning banks (Article XI) seems to have been unique. This article has never been repealed nor amended and reads as follows:

Article XI: Section 1. Prohibition of State Banks. *The Legislative Assembly shall not have the power to establish or incorporate any bank, or banking company, or moneyed institution whatever;* nor shall any bank, company, or institution exist in the state with the privilege of making, issuing or putting in circulation any bill, check, certificate, promissory

[1] An address of John R. McBride to the Oregon Historical Society, December 20, 1902.

[2] *The Oregon Constitution*, edited by Charles Henry Carey, and printed under the direction of the Oregon Historical Society under the provisions of Chapter 379, O.L. 1925.

note, or other paper of any bank, company, or person, to circulate as money. [Emphasis supplied.]

This section of the organic law seems to be clear and unequivocal. Individual proprietors might operate banking enterprises but the legislature was not empowered to charter "any bank or monied institution whatever." Moreover, it appears to prohibit any branch office of an out-of-state bank.

The Convention could not have anticipated the organization of national banks under the provisions of the National Bank Act of 1883. But no attempt was made to challenge the organization of national banks, even though these institutions were empowered to issue national bank notes that circulated as money. It seems reasonable to assume that such a challenge would not have been successful, since the Constitution of the United States empowers the Congress to "coin money and regulate the value thereof."

Until the organization of national banks in 1863 and following years, banking enterprises in Oregon were not incorporated. Banking enterprises came into existence, but they were individual enterprises or partnerships. Indeed, no attempt was made to incorporate a bank under state law until 1879. Some of these early unincorporated Oregon banks were the following:[3] Albany, Flynn's Bank; Astoria, Case's Bank; Baker, Virtue's Bank; Corvallis, Hamilton-Job Bank; Dallas, Savage and Ellis Bank; Eugene, Hovey Humphrey Bank; Hillsboro, Shute's Bank; Jacksonville, C. C. Beekman Banking House; Lakeview, Bernard Daly's Bank; McMinnville, Wortman's Bank; Oregon City, Capfield's Bank; Portland, Ladd & Tilton Bank; Roseburg, Wooolenberg and Flint Bank; Salem, Ladd & Bush Bank; Silverton, Coolidge and McClain Bank; and The Dalles, Moody's Bank and French & Co. Bank.

In 1879, a very obvious attempt was made to circumvent what appeared to be the clear meaning of the Constitution. A corporation was chartered in Portland under the name of The Hibernian Savings and Loan Association. This corporation was, of course, established under the general incorporation laws of the state. But a reading of its article of incorporation

[3] I am indebted to the late Oswald Small West (governor of Oregon from 1911 to 1915) for this list of banks. Mr. West was strongly of the opinion that the 1880 decision of the Oregon Supreme Court was good economics but not good law. He believed that the view that the Constitutional Convention had not really meant to prohibit the incorporation of banks but only the issuance of paper money was "a lot of bunk."

indicates clearly that it was established to do a banking business; it did not resemble in any way a savings and loan association. It was not limited in its lending to real estate loans. Moreover, it was permitted to accept deposits and, by inference at least, these deposits might be checking deposits. It seems evident that this was an attempt to set up a banking corporation under the guise of a corporate name that did not include the word "bank." The effort was curiously similar to the much earlier case of the bank of the Manhattan Company in New York.[4]

Suit was shortly brought by the state to cancel the charter on the ground that there was no constitutional power to charter such a banking or "monied corporation."

The Oregon Supreme Court held, however, that the constitutional provision did not prohibit the establishment or incorporation of banks, excepting only banks and monied institutions with the privilege of making, issuing, and putting into circulation bills, checks, certificates, etc., to circulate as money.[5]

The court arrived at this decision by concluding that the Constitutional Convention of 1857 had really intended to place a comma (,) after the word "whatever" in Section 1 of Article XI instead of a semicolon (;). This substitution of a punctuation mark completely changed the meaning of the section, and made it read as follows:

> The Legislative Assembly shall not have the power to establish or incorporate any bank or banking company, or monied institution whatever, nor shall any bank, company, or institution exist in the state with the privilege of making, issuing, or putting in circulation any bill, check, certificate . . . to circulate as money.

The court took note of the fact that this section had been presented to the convention by the committee on corporations and internal improvements and had been amended by the convention. As originally presented, the section had only one clause which simply prohibited the Legislature from incorporating any bank *having the power to issue notes or other instru-*

[4] In this instance, Mr. Aaron Burr, who had been unable to secure a bank charter from the New York Legislature, persuaded that body to grant a charter to the Manhattan Company, for the announced purpose of "providing a supply of pure water for the inhabitants of the City of New York." Buried in the fine print of the legislative enactment, however, was authorization for the company to accept deposits and to lend its surplus funds. In fact, the company made no more than token effort to supply water to New York, but concentrated on the business of accepting deposits and lending its surplus funds, which is the essence of banking.

[5] State of Oregon v. Hibernian Savings and Loan Association, 8 Or. 396, 401 (1880).

Oregon State Banking Department, 1914.

ments to circulate as money. But the court believed that the convention considered that it would be unfair to permit out-of-state banks having the power to issue bank notes to maintain branches in the state if state banks could not do so. It therefore amended the section by adding the clause "nor shall any bank, company, or institution exist in the state with the privilege of making, issuing, or putting into circulation" . . . etc. It concluded then that what the convention had sought to prevent was the issuance of paper money by banks and not the establishment of banks.

Supporting the view of the court that the convention had really meant only to prevent the private issuance of paper money, and not the incorporation of banks, was the discussion of the effect of Section 1 on the operation of Wells Fargo & Co. This pioneer enterprise maintained an office in Portland where it accepted deposits and issued certificates of deposit. But these certificates apparently did not circulate as money.

There was some discussion of this matter in the convention, although the lack of a verbatim account of the debates makes it impossible to clearly determine the intention of the convention. Mr. Farrar (Multnomah County) thought that the proposed constitutional provision would require Wells Fargo to cease operations. Mr. Olney (Clatsop County) expressed the view that the operation of Wells Fargo would not be hindered since the certificates were not brought into existence for the purpose of circulating as money.

But at the very least, it does appear to be clear that the delegates were unsure and uncertain as to whether they were prohibiting the incorporation of banks, or only the issuance of paper money by banks.

The delegates to the convention were not exactly overawed by the difficulties of grammar and the niceties of sentence construction. In the long debate concerning the liability of corporate stockholders, Mr. Waymire (Polk County) offered an amendment which included a clear redundancy. Mr. Olney (Clatsop County) then offered an amendment to the amendment, which served only to make it grammatical. But Mr. Waymire objected strenuously. He said that "the community were not grammatical and would understand it better" if it were left as it was; and the effort to remove the redundancy failed.

Whether the Constitutional Convention did in fact intend to prohibit the establishment of banks or only to prevent the issuance of paper money by banks cannot now be determined, especially in view of the lack of detailed reports of the proceedings. In examining a statute, it is not uncommon for courts to take into account its legislative history, in an effort to

determine what the legislative body meant to do. It is distinctly uncommon for a court to hold that a constitutional provision does not mean what it quite plainly says, on the basis of an inquiry into the parliamentary procedures of its adoption.

On the other hand, it must be noted that this case was heard only a little more than twenty years after the Constitutional Convention, and the events of the convention must have been fresh in the minds not only of the participants but also of others. It is undoubtedly significant that three of the six justices of the Supreme Court that heard the case had themselves been delegates to the convention.[6] It seems reasonable to assume that these men must have called upon their memories of the events of 1857, as well as the legal briefs and other documents submitted in the case.

From the point of view of economic development of the state, it is indeed fortunate that the court held as it did. But the somewhat curious fact remains that the present-day existence of state banks in Oregon depends upon the judicial substitution of a comma for a semicolon in the Oregon Constitution. This would seem to be suitable illustrative material for teachers of English composition. Sometimes punctuation is quite important.

[6] These three were Chief Justice James K. Kelly, delegate from Clackamas County, R. P. Boise, delegate from Polk County, and P. P. Prim, delegate from Jackson County.

AN UNFORTUNATE BUSINESS VENTURE

some pioneer businessmen and the hard way to learn about "adverse selection"

The Northwestern Marriage Insurance Co.

OF PORTLAND, OREGON.

INCORPORATED UNDER THE LAWS OF OREGON.

CHARTER PERPETUAL. CAPITAL, $100,000.00.

OFFICERS:

CHARLES HEGELE, Pres't, **HENRY ACKERMAN, Vice-Pres't,**
JAMES STEEL, Treasurer, **A. S. GROSS, Sec'y and Manager.**

DIRECTORS:

J. W. WHALLEY, of the law firm of Whalley, Fechheimer & Ach.
HENERY ACKERMAN, of H. Ackerman & Co., Wholesale Crockery, etc.
JAMES STEEL, Cashier First National Bank.
S. JULIUS MEYER, of Fleckenstein & Meyer, Wholesale Liquors.
CHARLES HEGELE, of Allsky & Hegele, Wholesale Confectioners.

Policies of from one thousand to ten thousand dollars each issued to unmarried persons of good moral character upon payment of an anual premium of $5 on each thousand for males under 18 and females under 16, and $6 per year on each thousand for all above those ages, for the first four years; after which only one dollar per thousand will be charged, during unmarried life. In addition to these annual premiums, and commencing next February, a monthly rate, graded according to age will also be levied upon each $1000 of insurance, viz: On all under 12 years, 25cts; 12 years, 50cts; 13 years, 60cts; 14 years, 75cts; 15 years, [illegible]; 16 years, $1 15; 17 years, $1 25; 18 years, $1 35; 19 years, $1 40; 20 to 25 years, $1 50; 25 to 35 years, $1 75; and all above 35 years $2 per month.

Those holding policies of $5000 or less are not, under pain of forfeiture, allowed to marry within six months from the date of such policy, and those holding policies of a greater amount than $5000 are not allowed to marry within the first year.

Policies are payable at the end of the year in which marriage occurs, at the rate of 25 per cent. for every year from the date and amount of policy, after which all farther interest ceases. For example: A, who is [illegible] years old, takes out a policy Aug. 1, 1881, for $1000, paying $6. On the first of February following he commences paying monthly dues of $1 50, and then marries, it being six months from the date of his policy; he still continues to pay $1 50 per month until the 1st of August, 1882, when he receives ¼ the amount of his policy, less the annual premiums, leaving him $225 net, having only paid out $15, and his policy is then canceled. B is of the same age and takes out a like policy at the same time, but marries the second year and receives twice as much benefits as A did. C takes out a like policy and marries the third year thereafter, receiving three times as much benefits as A, or ¾ the amount of his insurance. D also takes out a similar policy, but fails to marry until the end of the 4th year thereafter, when he receives the full amount, $1000. E took out a policy of $5000 at the same time, paid 5 times as much premiums and monthly dues, but received, according to date of marriage, 5 times as much benefits, and so on for any other ages or amounts.

Parties residing where no agency has yet been established may procure policies by sending direct to the home office or nearest agency, giving date and place of birth, and at the same time remitting by money order, registered letter or check, $5 or $6, according to age as stated above, for each $1000 of insurance desired. Contracts made on the present basis will not be affected by any higher rates of monthly dues which may hereafter be deemed necessary.

This is purely a home institution, and the names of the officers, directors and references given in circular, with its stock capital, are a sufficient guarantee of its perfect reliability.

Energetic agents wanted everywhere. All our authorized agents are under bonds, and carry their commissions with them.

As to the feasibility of this plan of insurance and the ability of the company to promptly meet all its engagements, or for any other particulars, address

A. S. [illegible], Secretary.

Home Office: Room 58, Union Block (entrance on Stark St.), Portland, Or.

Advertisement of Northwestern Insurance Company Daily Oregonian 1881

The corporation offered insurance policies against the risk of marriage to "unmarried persons of good moral character."

"It seemed like a good idea at the time." These are melancholy words, indeed, but who has not had occasion to use them? When a venture turns out badly, it is often difficult to comprehend why it was ever commenced. What were we thinking about to undertake this foolish venture? By what strained reasoning did we persuade ourselves that the undertaking was sound and workable? If we were entirely rational, why did we not foresee at least some of the subsequent difficulties and problems? Who has not asked himself such questions after some of his undertakings have turned out badly?

In the summer of 1881, a group of well-to-do and successful Portland businessmen began a venture that they would subsequently regret. Without doubt, "it seemed like a good idea at the time," although in retrospect one wonders why successful and responsible businessmen could have believed that the venture might be profitable. It is barely possible that this enterprise was not expected nor intended to be profitable, but was undertaken as a public service. This seems unlikely, but even in this event they must have expected to operate without loss.

The enterprise was probably unique and was certainly bizarre. The corporation which adopted the name, "The Northwestern Marriage Insurance Company," offered insurance policies against the contingency or risk of marriage to "unmarried persons of good moral charcter."

The corporate name might suggest that the principal concern was in marriage brokerage or the arranging of marriages, but even a casual reading of the corporate articles and the extensive advertising of the company makes clear that the purpose of the enterprise was to offer to selected unmarried persons an insurance policy that promised to pay the insured the face value of the policy in the event of his or her marriage. There was, to be sure, a "waiting period" that is reminiscent of the pregnancy clause in modern health insurance. An insured holding a policy of $5,000 or less forfeited his rights under the policy if he married within six months of the date of the policy. If the policy was more than $5,000, the insured forfeited his rights if he married within one year of obtaining the policy. (The maximum policy offered was $10,000.)

The rates quoted varied somewhat according to the age of the policyholder, as might be expected, but nevertheless seem so low as to insure the quick failure of the marriage insurance company.

Both annual and monthly premiums were required. The annual premium was $5.00 per thousand for males under eighteen and females under sixteen; for all others the rate was $6.00. But these annual premiums continued only for four years; after the first four years, the rate dropped to a flat $1.00 per thousand. In addition to the annual premium, a monthly premium was to be levied, beginning in February 1882. This monthly charge was rather sharply graduated according to age:

Charges Per $1,000 Per Month

Under 12 years	$0.25	17 years	$1.25
12 years	0.50	18 years	1.35
13 years	0.60	19 years	1.40
14 years	0.75	20-25 years	1.50
15 years	0.95	25-35 years	1.75
16 years	1.15	Over 35 years	2.00

The company further protected itself against early marriage by policyholders through a provision in its policies that required payment of only one-fourth of the face of the policy if the insured married in the first policy year. If he married in the second policy year, settlement was one-half of the face of the policy; if in the third year, he received three-fourths of the amount of the policy. If he married in the fourth or subsequent year, he was promised the full amount of the policy.

The advertising concerning rates and terms was somewhat confused, but it seems clear that there were at least two other provisions in these marriage insurance contracts that served to reduce slightly the company's settlement cost. Claims were payable at the end of the policy year during which the insured married; but the insured was required to continue monthly payments during the interval between marriage and the end of the policy year. In addition, it appears that in any settlement the company was permitted to deduct four annual premiums. This latter provision does not appear to be based on any logical or consistent principle, but was merely an arbitrary reduction which served to reduce the cost of settlement.

It is not entirely clear whether the monthly premiums increased as the insured grew older, or whether the initial monthly rate continued as long as a policy was in force. In subsequent illustrations, it is assumed that the monthly rate increased with the insured's age. It is assumed that a boy of eighteen would pay $1.35 per month until he became nineteen, when

the rate would increase to $1.40. The following tabulation shows the total amount that would have been paid in by the holder of a $1,000 policy, as compared with the amount promised on marriage, under varying assumptions concerning age when the policy was purchased, and the period of time the insured continued to pay premiums and remain unmarried:

	Number of years from purchase of policy to marriage	*Total premium payments*	*Proceeds of policy*
Male—age 18	1	$ 22.20	$226
	2	45.00	476
	4	93.00	976
	10	226.00	976
	20	443.00	976
	30	683.00	976
Male—age 25	30	740.00	976

This table indicates that the company could not possibly have operated profitably, at least on the basis of the rates shown in the advertising of the company. Even if a policyholder remained unmarried for thirty years and paid premiums during this entire period, the total amount paid in would be less than the amount promised on marriage.

This ignores the factor of compound interest. If a policyholder remained unmarried for thirty years and paid premiums during the entire period, the amount paid in, plus interest earnings on these funds, would more than equal the face of the policy. But this is a most unrealistic assumption; it is most unlikely that marriage insurance contracts would be kept in force for a long period of years. Interest earnings would be unimportant except for long-lived contracts.

How can this apparently unprofitable rate structure be explained? Why did the company offer rates that would permit a young (or old) Oregonian who contemplated matrimony within a few years to accumulate a marriage dowry at very little cost? Perhaps the explanation is simply that the promoters of the company were inexperienced and naive, at least so far as insurance was concerned. In particular, it may be that the promoters did not understand the important principle known in the insurance industry as "adverse selection." This principle means simply that insurance customers will take advantage of the insurance company if invited to do so. Where real differences in risk exist, but where rates do not or cannot recognize these differences in risk, the insurance will be pur-

chased largely by the high-risk insureds. With life insurance, sub-standard risks may be indentified by medical examination, and rates can be differentiated by the age of the insured. With fire insurance, the risk can be reasonably rated by type of construction, access to fire protection agencies, and the like. But flood insurance has not been feasible because of adverse selection; it has been impossible for insurance companies to obtain a spread of risks. If flood insurance were offered, every property owner along the southern Mississippi River would be an avid purchaser, but few property owners in low-risk areas would be buyers. If an attempt were made to evaluate the risk and charge differential rates, then the cost of insurance along the southern Mississippi River would be prohibitive. Adverse selection and the difficulty of accurate evaluation of risk has been a difficult problem in other areas, such as hail insurance.

With marriage insurance, the chief risk factor would seem to be unmeasurable, since it is related to the intention of the insured at the time of purchase. Marriage is usually a planned event rather than a contingency that "happens." If marriage insurance were available, surely every young man or woman who planned marriage would prudently buy marriage insurance well in advance.

The promoters of the Northwestern Marriage Insurance Company must surely have learned about "adverse selection" the hard way. One wonders why responsible and successful businessmen could not have understood this important principle by the economical process of abstract reasoning.

Perhaps the promoters of the company counted on a high "lapse rate" as a source of profit; if many buyers carried the insurance for a few months or years and allowed it to lapse prior to marriage the company might have profited. But it seems unlikely that there was a high lapse rate. Those who had no immediate plans or intentions to marry were unlikely to buy the insurance; those who did have marriage plans surely didn't allow the policy to lapse.

Another possibility is that the company may have reserved the right to levy additional assessments. Such additional charges were not mentioned in the advertising, but such a provision may have been included in the "fine print" of the policies issued. The articles of incorporation state the purpose of the enterprise to be to issue policies to unmarried persons in consideration of premiums, annual dues, and *assessments* to be paid by policyholders.

Though it may be surmised that such right to levy assessments was included in the policies issued, it is unlikely that this right was intended

to be exercised in the normal course of business. If this provision was included in the contracts, it was probably designed as a means of forcing cancellation of policies. A heavy assessment might well result in cancellation of almost all policies outstanding. Indeed, this may explain how the company was able to discontinue business without bankruptcy.

In the 1880s, divorce was much less common than at present, but if marriage insurance such as was offered by the company had been generally available, might it not have resulted in collusive marriage followed by divorce; or would the insurance company have demanded its money back in the event of early divorce?

Such questions as this cannot be answered, because the records of the company are not available. All we know about the company is based upon the articles of incorporation, dated July 29, 1881, and on file in the office of the County Clerk of Multnomah County, together with supplementary articles of incorporation filed January 6, 1882, and the extensive advertising of the company in the *Oregonian*. No legal actions to which the company was a party appear in either the *Oregon Reports* (Oregon Supreme Court Opinions) or in records of the Multnomah County Courts.

In the initial articles of incorporation, the incorporators were Henry Ackerman, A. S. Gross, and Mr. E. W. Morrison. Mr. Ackerman was a merchant (H. Ackerman & Co., wholesale and retail crockery and glassware). The active promoter of the company was apparently A. S. Gross, who was an insurance agent with an office in the Union Block located at the northwest corner of First and Stark streets. This was also the address of the Northwest Marriage Insurance Company, and it may be surmised that Mr. Gross conducted the business of the company from his office.

The initial articles of incorporation that were filed in July 1881 were written on heavy bond paper in a beautiful Spencerian hand typical of the period. But it is clear that the organizers of the company were not experienced in the insurance business. They neglected to include in the articles the essential provision authorizing the company to lend or invest its funds. This omission was corrected in January 1882, by the filing of supplementary articles.

These supplementary articles revealed some new interests in the company. Mr. Gross remained as secretary, but he was no longer a director; the name of E. W. Morrison does not appear, although it is possible that he was still a stockholder. These new directors were prominent and well-

known persons in the business life of Portland, but they were not involved in the day-by-day operation of the company.

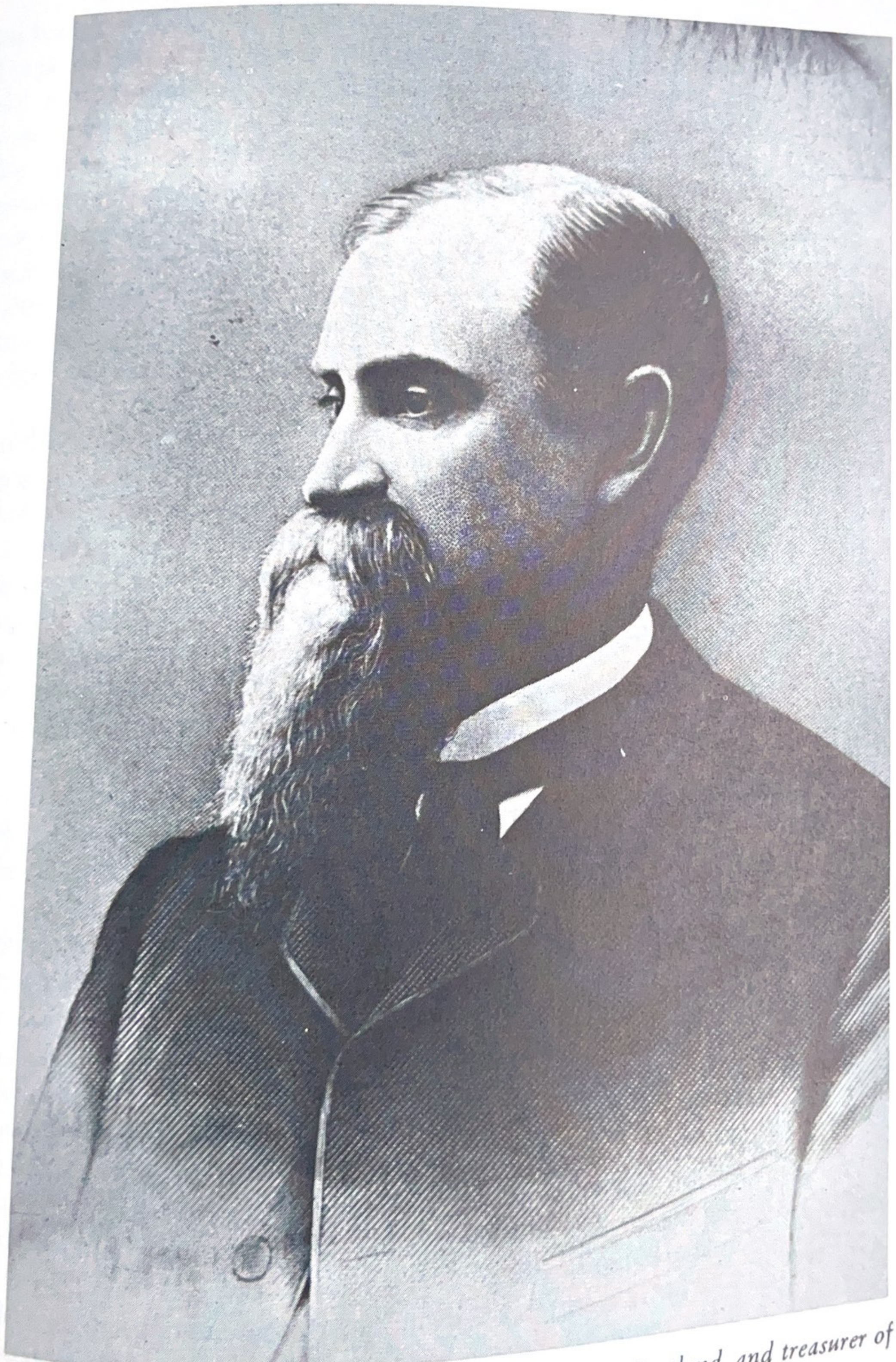
One new director was J. W. Whalley, a prominent attorney. At this time he was a member of the firm of Whalley-Fectheimer, which specialized in bankruptcy law. Another director was James Steel, who was cashier of the First National Bank of Portland until July 1882; he then assisted in the organization and became president of the Willamette Savings Bank, which later merged with the Merchants National Bank. This latter bank ultimately became part of the United States National Bank of Portland. Mr. Steel was also identified with various industrial enterprises. Perhaps his most notable service was as state bank examiner, the account of which appears elsewhere in these pages (see page 226). A third director was German-born Charles Hegele, a wholesale confectioner. A fourth director was S. Julius Mayer, who was a partner in the firm of Fleckenstein & Mayer, wholesale liquor dealers.

The names of directors were emphasized in the company's advertising. It is improbable that such prominent persons would be willing to be "dummy directors" and allow the use of their names without a substantial stock interest and control of the enterprise. Although it seems incredible, these men must have been persuaded that the venture was a sound one and could at least operate without loss. It must have "seemed like a good idea at the time."

Since the financial records of the company are not available, we do not know the exact circumstances of the demise of the Northwestern Marriage Insurance Company. Only circumstantial evidence is available, although such evidence may sometimes be quite persuasive. Certain it is that the enterprise had a very short life; but it seems equally certain that the company was not involved in bankruptcy proceedings. At that time there was no Federal bankruptcy statute, and all bankruptcy cases were heard in the state courts. In the records of the Multnomah County Circuit Court, the name of the company does not appear either as plaintiff or defendant.

The Portland city directory for 1882 includes a listing for the Northwestern Marriage Insurance Company with an office in the Union Block at First and Stark streets. The name of the company does not appear in subsequent editions of the directory, although the name of A. S. Gross, who was manager of the company, is listed in 1883 as an insurance agent with an office in the Union Block; he represented the Colorado Livestock Insurance Company.

The advertising program of the company suggests an early demise.



James Steel, second cashier of the First National Bank of Portland, and treasurer of the Northwestern Marriage Insurance Company.

The advertising began in the early fall of 1881 and continued until December on a Tuesday, Thursday, and Saturday basis. Beginning in December, there was a shift to a Wednesday and Saturday schedule. Moreover, beginning in December, the size of the advertising copy was considerably reduced. Then advertising ceased completely after January 6, 1882.

Further evidence of an early and quiet death of the Northwestern Marriage Insurance Company is to be found in the fact that after payment of the initial incorporation fee in 1881, no corporate reports were made or fees paid. The charter was not formerly cancelled until January 1906, but this was only because Oregon law did not provide for the formal cancellation of corporate charters until 1905.[1] But the company had no legal existence after 1883 because of nonpayment of fees.

Although we do not know what happened, it is a reasonable hypothesis that these prominent and able businessmen had learned, by January 1882, about the principle of adverse selection the hard way. Once this was clear and it was evident that only losses could result from continued operation of the marriage insurance venture, these hard-headed businessmen took immediate steps to cut their losses and to terminate the enterprise.

Just how this was accomplished is not known, except that whatever was done did not result in the bankruptcy of the enterprise. The company advertising ceased about six months from the inception of the company. Since advertising did not begin until sometime after organization, it is probable that the average policy had been outstanding much less than six months. It will be remembered that marriage within six months made the smaller policies invalid, and marriage within a year nullified the larger policies. No claims could have been payable by January 1882.

It would appear that the company by some means cancelled whatever policies were outstanding. This may have required the return to policyholders of premiums paid. Indeed, this seems quite likely, since the company was never involved in litigation. If the company had the right to assess policyholders, cancellation of contracts might have been forced by the levy of a heavy assessment. But this would almost certainly have resulted in litigation and therefore appears to be unlikely. However, the business was evidently terminated by one means or another. This could hardly have been accomplished without substantial losses to these stockholders and directors.

The suspension of operations by this strange enterprise after an ambitious and aggressive advertising campaign must have been embarrassing

[1] Chap. 172, *Oregon Laws*, 1905.

to these successful businessmen. The advertising program emphasized the names of directors and listed their other business interests and affiliations. Very probably these men would have liked to forget this unfortunate episode, and, more important, they probably wished that their friends and associates would forget about the affair. Marriage insurance was probably a touchy subject in the homes of these men for some period of time.

One wonders what the attitude of the directors of the First National Bank of Portland was toward the participation of their cashier, James Steel, in this undertaking. Mr. Steel did resign his position with the bank in July 1882, but there is no evidence that this action was related to the marriage insurance venture. But the bank must have been less than enthusiastic about Mr. Steel's participation in the affair.

There are available biographical or obituary sketches for four of the five directors. None of these makes any mention of the marriage insurance venture. At least two of the directors, Whalley and Hegele, found it convenient to travel abroad; Mr. Hegele visited his native Germany for four months in 1882. Mr. Whalley, an attorney, took the grand tour of Europe with his daughter Susan. He returned in 1884 and formed a law partnership with Judge Deady.

Although the available evidence indicates that this venture was unfortunate, it was apparently terminated in an honorable manner; but it must have been embarrassing to the prominent persons involved. Even after the lapse of more than eighty years, it seems just a bit indelicate to inquire too closely into the affair.

THE BANK WITH THE BRASS FOOTRAIL

a primitive and successful essay into public relations for bank customers

In recent years, bankers have become greatly interested in the public image of banks and banking. This concern and interest in public relations has resulted in significant changes in banking practices and procedures and even in bank architecture and interior design.

Until fairly recent years, banks did almost no advertising; it presumably was not considered to be dignified to solicit trade as other enterprises did. Even after bank advertising became more general, the advertisements were generally of the "tombstone" variety, emphasizing little more than the name and location of the bank and perhaps the amount of capital and surplus. Only in recent years has bank advertising acquired the common touch and frankly appealed for business on the basis of convenient and friendly service.

It is not surprising that the legendary banker was a cold and fishy-eyed fellow who was willing to lend money provided the borrower could prove that he did not need the loan. Many of the stories that were handed down were apocryphal, but nevertheless revealing of the public image of bankers. One banker, so the story went, refused to loan money to an applicant because he did not know him well enough; the banker across the street refused to lend him money because he knew him too well. According to another often-told story, a banker had one glass eye; it was easy, however, to tell which one was the glass eye. In one of his eyes could be found a faint glimmer of human sympathy; that was the glass eye.

According to another story, a banker sold his interest in the bank and bought a service station which he proposed to operate. On the morning the ex-banker took over operation of the station a customer named Joe drove up to the gas pump and said "Gimme ten gallons." The ex-banker

The bank with the brass footrail: The Farmers and Merchants Bank of Junction City, about 1893.

cleaned the windshield and checked the oil. He then questioned the customer concerning his destination. When it developed that the customer only planned to drive some forty miles, the ex-banker told him soberly, "Well, Joe, I think you can get along on five gallons."

Such stories as these were, of course, just stories and not intended to be believed. Indeed, such stories did not offend bankers because they understood that they were quite similar to stories told about other occupational groups, such as plumbers who forget their tools and the absent-minded professors. One would be more likely to hear these stories at a bankers convention than at a meeting of grocers. But they did reflect a deep-seated attitude that banking was a deadly serious business and that bankers were, even if not unsympathetic, at least ultra conservative.

It is quite likely that many bankers, perhaps most, did not particularly care to do business with the general public. In the days of pen and ink record-keeping the small account was relatively expensive to service and the returns probably did not equal the cost. Moreover, no one had yet thought of service charges and low cost check plans which might have served to make small accounts profitable. It is doubtful that customers could have been persuaded to pay such charges anyway. Neither was the small borrower encouraged. The financing of consumer purchases, even of consumer durable goods, was considered to be outside the legitimate function of banking. The typical bank sought deposits from the wealthy and the moderately well-to-do, and to invest the bank funds in commercial loans of at least moderate size.

This general disinterest of bankers in cultivating the general public was unconsciously expressed in the pioneer book on financial advertising published in 1908.[1] In it the author exhorted bankers:

> Don't ignore the people. You may despise them; you may pity them; but you can't ignore them.

It is evident that the author, a pioneer advertising man, had found bank officials to be sometimes less than enthusiastic about advertising programs for banks. It is possible to detect even a little venom in the following excerpt:

> Most of us, at one time or another, have had the task of convincing the officers or the board of the error of their ways. In every board there is at least one who does not believe in advertising. He is the professional pessimist who in another walk of life would be the Devil's

[1] *Financial Advertising* by E. St. Elmo Lewis (Indianapolis, 1908).

The young Will Washburne was not trained in "public relations" but he knew how to make customers feel comfortable in his bank.

> advocate at the canonization of a saint or a successful public prosecutor or chief inquisitor. He believes nothing until he has to, and then never admits it.
>
> God gave him leave to live, so let's accept him and make ourselves comfortable.
>
> This man we have to consider, for some day he gets hold of the advertising account and when he does he does things to it that makes the advertising man weep.

This general attitude was also reflected in bank architecture and interior design. The emphasis was on the outward appearance of strength, safety, and solidity. Massive pillars usually marked the entrance; the doors were frequently heavy to convey the impression of safety. Sometimes it was necessary for the customer to climb a long flight of stairs to reach the banking floor. Bank interiors faintly resembled Grand Central Stations. Ceilings were high; tellers were located behind heavy iron grilles and were visible only through narrow windows, and the counter space left little or no room for customers' packages. Lighting fixtures were massive and heavily ornamented.

The customer was, of course, the forgotten man. The cathedral atmosphere was without doubt impressive and perhaps suitable to the banking practices of the time. But it did not result in a comfortable place for customers to do business.

Bankers still believe that a bank building should be distinctive; it should look like a bank. But the accent now is on attracting business from the general public. To do this, it is necessary to create an atmosphere in which the customer feels comfortable and can transact his business conveniently. If banks do not provide this atmosphere, competing types of institutions are likely to attract such business away from the banks.

But it would be an error to suppose that bankers of an earlier period gave no consideration to the problem of customer convenience and comfort. Perhaps the most astonishing case of adapting the banking quarters to the convenience and comfort of customers is found in the experience of

the Farmers and Merchants Bank of Junction City in 1893. The steps taken by this bank to create a homey and comfortable atmosphere for customers can only be described as unique.

The Farmers and Merchants Bank of Junction City was incorporated in 1893 by interests associated with Oregon pioneer Charles Wesley Washburne.[2] Mr. Washburne emigrated to Oregon by wagon train in 1853, and became the owner of large land areas and a man with many property interests. He was a community leader, and his integrity was unquestioned. The cashier of the new bank was Will C. Washburne, a son of Charles Wesley Washburne. He was also the only active employee of the bank and was paid the then munificent salary of seventy-five dollars a month.[3] Little preparation for beginning the new enterprise was required since it was to occupy the former quarters of a bank that had failed. But it was necessary to arrange for a simple set of accounting records and to change the lettering on the windows, and perhaps to add a few pieces of furniture.

Will C. Washburne was a young man, and it is likely that one of the purposes of the elder Mr. Washburne in organizing the bank was to launch his son on a business career. Certainly, the elder Mr. Washburne had no thought of a new business career for himself; he was sixty-nine years of age when the bank was organized.

On opening day, there were no ceremonies, no give-aways, no speeches by the mayor. It is a certainty that the lobby was not decked with flowers in the fashion of present-day bank openings. There was no "vice-president for public relations" to be concerned about such matters. The signs on the windows were changed and the bank was opened and ready for business. It may be supposed that the community was not unaware that a new

[2] The Farmers and Merchants Bank was not the first bank in Junction City. In 1891, the United States Banking Company established one of their branches in Junction City. This latter company failed in 1893 and the newly organized Farmers and Merchants Bank acquired the bank building owned by the United States Banking Company at Sheriff's Sale.

Directors of the Farmers and Merchants Bank were: Charles Wesley Washburne, J. P. (John) Milliron, T. A. (Tom) Milliron, J. A. Bushnell, and George W. Pickett.

It may be noted that J. P. (John) Milliron owned a farm southwest of Junction City where he had taken up a donation land claim shortly after 1853. In 1855 he sold a fresh horse to Louis Remme during his epic ride from Sacramento to Portland.

J. A. Bushnell was the founder of the Eugene Bible College and served as president (chairman) of the board of trustees for seventeen years.

[3] The president, J. A. Bushnell, was voted a salary of fifty dollars a month.

bank was to be opened and that it was a Washburne enterprise. In such a small town as Junction City news travels fast, even without the assistance of the printed word. The organizers of the new bank undoubtedly saw to it that the news did get around. They must have "passed the word."

It is possible that the directors would have preferred to begin banking operations at a location other than the site of a failed bank. But the bank that had failed was not a local enterprise. This site was both economical and available. Correctly, the directors assumed that the Washburne name would be sufficient to assure the public of the safety and integrity of the new bank. On opening day, young Will C. Washburne went to the bank at an early hour, swept out, and started a fire in the wood heater to take the edge off the chill of the early May morning. Then he made the necessary preparations for business. Members of the Washburne family and the directors were busy with other matters and did not attend the opening; neither had they made deposits in the new bank. But the cashier knew that he could expect these deposits to be made in a few days. In order to avoid a possible rush later in the day, he decided to enter his own deposit immediately. Digging into his pockets, he found that he had $40.65; this was the first deposit of the day. It also turned out to be the only deposit of the day. It was the loneliest day that young Will Washburne had ever known. All day long he sat behind the counter and looked hopefully at the door, but no one came in—at least, no one who wanted to make a deposit. We do not know whether there were any applications for loans; if there were, they undoubtedly found young Mr. Washburne in something less than an enthusiastic mood.

At the end of the day, the total deposits were $40.65, which was credited to the cashier's own account. The inexperienced young man was perplexed. What was wrong? Did not the people know that the bank was open? He concluded that they did know, because the bank had been in process of organization for many weeks and there had been a great deal of discussion of the need for a local bank. True, there were banks in Eugene, a dozen miles away. But roads were in such condition in 1893 that a full day was required to drive to Eugene and return. He was sure that the lack of business was not because people of the community were unaware of the existence of the bank.

Did the people lack confidence in the safety and integrity of the new bank? He did not think so. Although he was a Washburne, and therefore not quite unbiased, he considered that the Washburne name was one to inspire confidence. The family had never been associated with fly-by-night ventures, and he thought it was generally known for industry, thrift,

financial strength, and fair dealing. Was the absence of business on the opening day true only because there was just no money in the community? Here he felt on sound ground. He had grown up in and around Junction City and knew most of the people of the community. Moreover, because of family connections he knew a great deal about the financial affairs of many of the people of the area; he knew who had sold cattle recently and how much had been received in payment; he knew who had shipped wheat recently and how much they had been paid and whether they had mortgage payments to meet. If they did have mortgage payments to meet, there was at least a fair possibility that a Washburne was the mortgage holder. He concluded that there must be plenty of money in the community, but that most of it was in baking powder cans buried in back yards. It should be remembered that this was May 3, 1893 and that the onset of the extended depression of the 1890s was in the late fall of 1893. But if it was not lack of money and it was not lack of confidence, what was it? Why were there no customers on the bank's opening day?

Will Washburne was a direct man. He knew of only one way to find the answer to this perplexing question. This was to go out on the streets and shops and farms and ask people why they had not brought business to the bank on the opening day. He felt no embarrassment in doing this, although this was not in the banking tradition of the times; in fact it was quite unbanker-like. But he sincerely wanted to know. He did not approach this task as a modern banker might. He did not call in a public relations counsel or send out a scientifically constructed questionnaire. He just went out on the streets and on the farms and talked to people he knew; he asked them, directly and specifically and without apology, why they had not brought their business to the bank. These people were not strangers. In many cases he had gone to school with them and knew a great deal about their financial affairs. Moreover, the people he talked to knew that he was aware of their financial circumstances.

He got a variety of answers. In a few cases, he concluded that the person questioned really had no ready money available and therefore had no business to bring to the bank. A few more were obviously evasive and he concluded that these people just lacked confidence in banks—even in a Washburne bank. They would some day be customers, but only after the bank had operated a few years and demonstrated its safety and integrity. These were, however, a minority. But in a significant number of cases, he was given hesitant, halting, and embarrassed answers that seemed to Mr. Washburne to point to the essential reason for the lack of business on opening day. They said to him in substance and with some

variation, "Yes, we have some money and we know the bank is safe, but —somehow we just don't feel comfortable in a bank." Mr. Washburne felt free to question these people further. He said to them, "I see you in the stores and saloons in Junction City and you seem to be comfortable enough. Why can't you be comfortable in a bank?"

But now their answers tended to be defensive and even evasive. Clearly, they could not quite explain why they felt uncomfortable in a bank but quite comfortable in a saloon. In some cases the answer would be, "Well, I know the bartender." To this Mr. Washburne would reply, "But you have known me longer than you have known the bartender." To this there was no entirely logical answer, but Mr. Washburne had found what he sought. Men, at least some men, did feel comfortable in a saloon but for no reason, they did not feel comfortable in a bank.

Although Mr. Washburne perhaps did not take time to attempt to construct a hypothesis as to why men were not comfortable in banks, the reason was the public image of bankers. In fact, the term "public image" had not yet been coined. But clearly, banks and bankers were somehow associated with disaster. Bankers were thought of as mortgage foreclosers and note shavers. However, the young cashier was not concerned with theories; he had a practical problem. Somehow customers had to be attracted to the bank. Somehow the people must be made to feel comfortable in the bank. Mr. Washburne reflected that it would be easier to change the bank than it would be to change the people. He knew that the attitude he had found was deepseated and that it would be futile to try to change it by mere argument. If customers felt comfortable in a saloon, then perhaps if he created something of a saloon atmosphere in the bank they would feel more comfortable there. If customers wanted to be able to put one foot on a brass footrail while conducting their banking business, why not provide one? If the customers, many of whom chewed tobacco, would appreciate a convenient spitoon in the bank, why not give it to them?

The next day he had a brass footrail installed along the bank counter. From some source, he found one of the large saloon-type spitoons and placed it at a convenient spot on the bank floor. This was a radical innovation in bank interiors, but the young cashier was not a traditionalist nor handicapped by experience. He was quite willing to try something new. It would embellish this story if it could be reported that he also spread sawdust on the floor and served free beer. But he did not go this far. After all, he intended to run a bank and not a saloon. Moreover, his pioneer mother would undoubtedly have interposed vigorous and deter-

mined objection. She was an ardent prohibitionist and a leader in the local chapter of the Women's Christian Temperance Union. Her strong convictions and determined opposition would have prevented any such radical innovation. Indeed, one wonders whether she thoroughly approved even the brass footrail.[4]

In the ensuing months and years, the new Farmers and Merchants Bank grew and prospered. The long depression of the 1890s that began only a few short months after the organization of the bank only seemed to slow the growth of the bank. Neither did the money panic of 1907 result in anything more than temporary inconvenience. It cannot be claimed, of course, that this growth was related to the installation of the brass footrail and spitoon. Quite probably the bank would have grown and prospered anyway, but the willingness to innovate and to adapt to the changing world was undoubtedly a factor in the success of the bank.

In 1912, the bank was nationalized under the name of the First National Bank of Junction City. The bank continued to prosper and the long depression that began in 1929 was surmounted with little difficulty. In 1936, the bank was acquired by the United States National Bank of Portland, and since that time has operated as a branch of the larger bank.

[4] This story was related to me by Mr. Claude B. Washburne. He was a nephew of Will C. Washburne. In 1913 Claude B. Washburne became assistant cashier of the First National Bank of Junction City. After service with the Federal Reserve Bank of San Francisco during its early years and military service in World War I, he became cashier of the First National Bank of Junction City in 1929. When the local bank was acquired by the United States National Bank of Portland, the president, Will C. Washburne, retired, but Claude B. Washburne remained as manager of the branch bank until the beginning of World War II. During the war he served as Colonel in the United States Army. He retired in 1948. Many of the original records of the Farmers and Merchants Bank are in his possession.

TROUBLE IN JULY

heartbreak, tragedy, and comedy in Portland banking in the 1890s

The years following 1873 were years of acute commercial distress and depression in the United States. The failure of the investment banking house of Jay Cooke & Company, followed by the failure of the Northern Pacific Railroad were the opening acts in this long tragedy. The numerous bank failures and temporary closures compounded the difficulties of the times. This is not to say that the bank failures caused the depression; neither would it be quite accurate to say that the depression caused the bank failures. Rather, it was overexpansion and overspeculation that caused both the commercial distress and the bank suspensions.

In such a period, the established and deserved reputations of bankers as well as business and political leaders were frequently in jeopardy. Essentially sound institutions were sometimes compelled to suspend because of the demands of frightened depositors or because of inability to quickly liquidate sound assets. Those whose funds were lost or temporarily frozen of course sought a scapegoat and their complaints were sometimes undiscriminating.

The Portland business community must have felt the strain of these depression years, for one thing, construction of the Northern Pacific Railroad was necessarily suspended for some time. But Portland was spared the devastating effects of bank failures; and this was in spite of the fact that in July 1873, a disastrous fire destroyed about one-fifth of the assessed value of Portland.[1] During this period, three banks operated in Portland, Ladd & Tilton, The First National Bank of Portland, and the

[1] James H. Gilbert, "The Development of Banking in Oregon," *University of Oregon Bulletin*, Vol. IX, No. 1, Sept. 1911.

Bank of British Columbia.[2] Financial statements of the First National Bank during this period are available in the reports of the Comptroller of the Currency. These statements, which are summarized in the accompanying table, show little or nor evidence of financial pressure:

First National Bank of Portland Selected Balance Sheet Items 1871-1880 (in thousands)

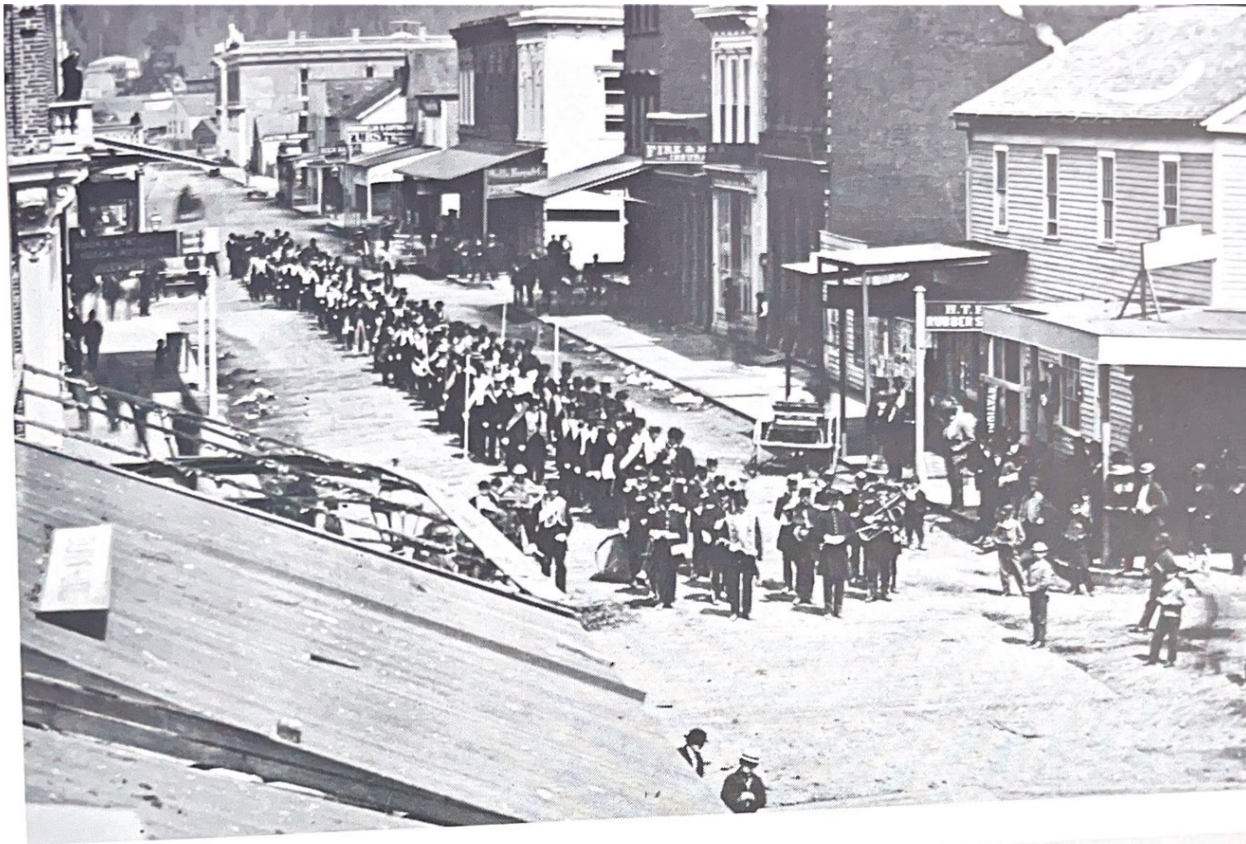
	Loans and Discounts	*Individual Deposits*	*Government Deposits*	*Undivided Profits*
Oct. 2, 1871	$688	$495	$472	$222
Oct. 3, 1872	722	595	416	157
Sept. 12, 1873	723	446	369	177
Oct. 2, 1874	701	555	283	220
Oct. 1, 1875	750	562	329	258
Oct. 2, 1876	774	626	259	302
Oct. 1, 1877	884	844	340	220
Oct. 1, 1878	867	707	367	202
Oct. 2, 1879	747	710	350	287
Oct. 1, 1880	946	984	373	340

The significant item "individual deposits" declined about 20 per cent in 1873, but then increased, with a single unimportant exception, for the remaining years of the decade. The only downward drift evident in any of the data was in "government deposits" and this is certainly not any evidence of local commercial distress.

It is only possible to guess at the reasons for this relative immunity to bank troubles enjoyed by the Oregon Country in the difficult decade of the 1870s. Without doubt, the fact that the banks were in strong hands was recognized by the people of Portland. The Bank of British Columbia[3] was only a branch of a strong Canadian institution and it is unlikely that there were any doubts about its strength. William S. Ladd of Ladd & Tilton was regarded as a tower of strength, as were Henry Failing and H. W. Corbett of the First National. It must also be remembered that the Oregon Country was in the midst of what we would call a "capital goods

[2] In 1874, The Oregon & Washington Trust Investment Company was established with Scotch capital. This institution did not accept deposits. In 1876, the Oregon Washington Savings Bank began operations.

[3] The Bank of British Columbia, including the Portland Branch was absorbed by the Canadian Bank of Commerce in 1901. The Portland Branch of the Bank of British Columbia was established in 1869. The Bank of British North America established a branch in Portland in 1878, but this branch was discontinued after only a brief period.



Top, Odd Fellows Parade, July 4, 1871. Below, First Street, Portland, circa 1875. First National Bank of Portland was located here from 1871 until 1882. All photographs accompanying this essay are from the Oregon Historical Society.

First National Bank of Portland at southeastern corner of First and Washington. The bank was located here from 1882 until 1914.

Oregonians were not disposed to be tolerant; bank officers may have wished they had chosen the uncomplicated occupation of ditch digging...

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boom;" the Oregon & California railroad was building even if Northern Pacific construction was suspended for a time. Moreover, Oregonians were not heavily indebted to eastern states.

It may also be true that, paradoxically, banking difficulties were avoided because Oregonians had not yet come to fully trust banks. In 1872, the combined capital of the three Portland banks was only $750,000 and deposits $2,195,000.[4] The experience of pioneer Oregonians with wildcat banks in the Middle West and South led them, perhaps irrationally, to distrust all banks. It is quite probable that most members of the Oregon Constitutional Convention of 1857 believed that the Constitution they had approved prohibited the incorporation of banks.[5] Even such a responsible and able businessman as H. W. Corbett who became associated with Henry Failing in the control and management of the First National Bank of Portland in 1869 seemed to distrust banks, at least before he became a banker. In 1857, when panic and depression struck the populous eastern states, he expressed the belief that Oregon's lack of banks would prevent the crisis from reaching the West Coast. To a Boston firm he wrote: "We experience the benefit of having no banks on the Pacific and buisness [*sic*] this year has been remarkably good."[6]

Since many Oregonians had not yet come to fully trust banks, it is probable that bank deposits made up a relatively small portion of individual wealth. In addition, a great deal of production and trade of the region was local rather than national; the Northern Pacific Railroad was not completed into Portland until 1883. For these and perhaps other reasons, Oregon and the Northwest were not greatly affected by the long depression following 1873.

The decade of the 1880s and, indeed, the twelve years ending in 1892 was a period of expanding business in Oregon. There was a mild down-

[4] Gilbert, *op. cit.*

[5] See "A Small Matter of a Semicolon," page 102.

[6] Quoted from *Oregon Argonauts, Merchant Adventurer on the Western Frontier*, by Arthur L. Throckmorton, Oregon Historical Society publication (Portland, 1961).

turn in business in the nation in 1884, but this was hardly discernible in Oregon. Oregonians were gaining confidence in banking institutions and new banks were being established not only in Portland, but in the smaller cities of the state. In 1880, the report of the Comptroller of Currency showed only one national bank in the state. A decade later, the Comptroller reported 37 national banks in the state with stockholder funds of $4,891,000 and deposits of a little more than ten million. There was a further growth to the end of 1892 when there were 41 national banks with total stockholder funds of $6,676,000 and deposits of $11,040,000.[7]

But this rate of expansion could not be maintained and when the panic hit in 1893 it was evident that Oregon was no longer insulated from the effects of economic trends in the national economy. From the end of 1892 to the end of 1895, the number of national banks was reduced from 41 to 35; the bank capital was reduced from $6,276,000 to $4,831,000 and deposits from $12,065,000 to $9,565,000. In addition, many national banks including the Ainsworth National and the Commercial National of Portland closed temporarily, but reopened after some weeks or months with the aid of an infusion of fresh capital or extension agreements entered into with depositors. Two other major Portland banks, the Portland Savings Bank and the Oregon National reopened, but were subsequently compelled to close permanently.

It would not have been pleasant to have been a Portland banker in the panic year of 1893; Oregonians had had little experience with bank failures and suspensions and were not disposed to be tolerant. But during this critical summer, the people of Portland could not be sure that the banks that had suspended could reopen. This must have put a great deal of pressure on the banks that remained open; neither Ladd & Tilton, the First National or the relatively young United States National,[8] suspended but their officers must have had many moments of anxiety and doubt. Officers of these banks may have wondered why they had not chosen the uncomplicated occupation of ditch-digging instead of banking.

The trouble began in July. The Oregon National Bank closed its doors on July 27, 1893 and was immediately followed by the Northwest Loan & Trust Company which was under almost the same management. On July 28, the Union Banking Company, a relatively new institution, suspended. In a few days, the respected Portland Savings Bank and Com-

[7] From U.S. Comptroller of the Currency, *Reports*, various years.
[8] The United States National Bank was incorporated Nov. 10, 1890 and opened for business on Feb. 9, 1891.

Top, interior of First National Bank of Portland at the southeast corner of First and Washington Streets sometime after 1882. Below, the well-dressed staff of the Ainsworth National Bank, circa 1885.

mercial National Banks were compelled to suspend. There was some common ownership and management in these two banks; both were identified as being under the strong influence, if not control, of D. P. Thompson. Since Mr. Thompson was also associated with National banks in McMinnville, Arlington, The Dalles, Heppner, and other cities in Oregon, the closing of his two Portland banks made it difficult for these upstate institutions to remain open. There was a wave of suspension all over the state, although many of these institutions subsequently reopened.

David P. Thompson, a prominent business and political personality in the Northwest, from about 1860 until his death, was born in Ohio on November 8, 1834. In 1853, at the age of nineteen he came to Oregon by wagon train, earning his way by assisting R. R. Thompson[9] in driving a band of sheep. He arrived at Oregon City with his capital reduced to twenty-five cents. He did not become prominent and wealthy overnight, but seems to have been hard-working and thrifty. It is a curious coincidence, in the light of bitter attacks by the *Oregonian* on Thompson in regard to his banking affairs in 1893, that in 1857, Harvey W. Scott, who would become editor of the *Oregonian,* was associated with Mr. Thompson, with an axe bought on credit, in a woodcutting enterprise near Oregon City. One wonders whether the *Oregonian* attacks during the banking panic of 1893 might have been influenced to some degree by disagreement between the two men in their woodcutting enterprise.[10]

Mr. Thompson in a few years became a surveyor and surveyed The Dalles-California Military Wagon Road, and in 1872 surveyed and allotted lands to the Indians of the Grande Ronde Reservation. Surveying apparently led him to various construction as well as other business enterprises: he was for two years president of the Oregon City Woolen Manufacturing Company.

He was also a leader of the Republican Party, and much of the time held public office. He served several terms in the State Senate and the House of Representatives; he was mayor of Portland for two years (1879-1881) and in 1890 was defeated by Sylvester Pennoyer for the governor-

[9] The two men were not related. R. R. Thompson had come to Oregon in 1846 and after joining the gold rush to California he went east and brought a band of sheep to Oregon. He entered a donation land claim at The Dalles and was Indian Agent at The Dalles during the Indian wars. He later became identified with the group controlling the highly profitable Oregon Steam Navigation Company.

[10] D. P. Thompson was a prominent Republican as was Harvey Scott. But Thompson was a free-silver Republican while Scott was a staunch gold-standard Republican.

ship of Oregon. He was for ten years a regent of the University of Oregon. From November 1892 until April 1893 he was United States Minister to Turkey.[11]

About 1878, Mr. Thompson had returned to Portland after serving a term as governor of the Idaho Territory; in 1880, he organized the Portland Savings Bank and served as its president until shortly before its suspension. In 1886, he was prominently identified with the organization of the Commercial National Bank and served as its president until 1892. These two banks were "affiliated" in that there were some elements of common ownership and management. Both institutions were known as "Thompson banks."

It is not surprising that after the closing of the Portland Savings Bank the Commercial National could not remain open. Neither is it surprising that not only the two banks, but Thompson and the other officers would be subjected to a barrage of public criticism. When banks fail or suspend payment, the public almost inevitably demands a sacrifice. Whether justified or not, the public seems to feel that the failure is the fault of some one person or group, and that somehow punishment should be meted out. In this instance, David P. Thompson was the target for criticism even though he was not an officer of either the Portland Savings Bank or the Commercial National at the time of closing.

When the savings bank failed to open on July 28, Mr. Thompson was appointed as receiver by Judge Stearns. Since no bank regulatory statutes existed in Oregon in 1893, the liquidation of the Portland Savings Bank was under the jurisdiction of the State Court.[12] Although he was one of the organizers of the bank and served as its president from incorporation in 1880 until 1886 he was not an officer or director at the time of his appointment as receiver; he was the owner of $20,000 of the total capital stock of $260,000. He had resigned as president of the Portland Savings Bank in 1886 when he became president of the newly incorporated Commercial National Bank.[13] It was not uncommon for courts to appoint a "friendly receiver;" indeed, it is not unknown even now.

But the appointment of a friendly receiver was undoubtedly a mistake in this period of panic and depression. Depositors whose money was

[11] This must have been one of the last appointments made by Republican President Benjamin Harrison. Mr. Thompson could be quite certain that his appointment would be terminated shortly after Democrat Grover Cleveland took office on Mar. 4, 1893.

[12] From 1878 until 1898 there was no Federal bankruptcy legislation.

[13] Letter from D. P. Thompson to the editor of the *Oregonian*, Aug. 20, 1893.

made unavailable by the failure of the bank were not disposed to sweet reasonableness. That this was a period of genuine distress is demonstrated by the publication in the September 18, 1893 *Oregonian* of a list of tax-delinquent property to be sold at Sheriff's Sale. The list required five full newspaper pages with very small type. Without doubt, this served to lower depositors' boiling points. Opposition and criticism were not long delayed.

In the middle of August, the receiver's inventory was filed with the court and the *Oregonian* of August 16, 1893 commented at length on the receiver's report. The financial statement reported to the court was as follows:

Assets	
Notes receivable (face value)	$2,156,704.68
Real estate (valuation basis not given)	347,965.92
State, county, city and school warrants (face value)	110,061.63
Interest accrued on above warrants	31,155.25
Overdrafts	138,863.31
Stocks and due from other banks	95,300.00
Miscellaneous assets	98,487.50
Total	$2,978,538.29
Liabilities	
Time certificates of deposit	$1,805,350.00
Demand certificates	27,748.46
Cashier's checks	4,000.00
Term saving accounts	216,025.29
Ordinary savings	249,045.28
Demand deposits	95,653.91
Coupon time certificates of deposit[14]	32,376.00
Total	$2,430,198.94

In the *Oregonian* story, it was stated that in the few days previous to the suspension various persons associated with the Portland Savings Bank borrowed large sums from the savings bank. Specifically, the following were mentioned: George P. Dekum, teller, Commercial National, $4,801; Edward Cookingham, cashier, Commercial National, $8,400; C. K. Cranston, teller, Portland Savings Bank, $3,000; G. H. Durban, $5,500; Edward Dekum, $3,450; R. L. Durham, $3,839; Adolph Dekum and Otto Dekum, $1,300.

[14] This classification of deposits is confusing.

In addition, it was reported that on July 5, president Frank Dekum of the Portland Savings Bank, D. P. Thompson, president George B. Markle, and cashier D. F. Sherman of the Oregon National has borrowed $14,000, giving collateral security. It is not clear whether this was a joint transaction or whether each of these men had borrowed.

It is quite possible that these transactions were part of last ditch efforts to save one or more of these banks.[15] But since the banks did close, the publication of this story undoubtedly served to arouse the indignation of depositors. Expression of this resentment was not long delayed.

On August 18, there was a meeting of depositors of the Savings Bank. As might be expected, this was something of an indignation meeting, although the participants named were by no means "crackpots" or the chronically disgruntled and dissatisfied. A prominent Portland business man, Mr. S. Julius Mayer, was chosen as chairman and Mr. William Friedlander, secretary. The meeting expressed dissatisfaction with the appointment of Mr. Thompson as receiver although the criticism was undoubtedly tempered by the understanding that the receiver had resigned. A committee consisting of J. G. Warner, R. J. Erickson, Reverend G. W. Grannis, and W. B. Honeyman was formed for the purpose of calling on Mr. Frank Dekum, president of the bank, "to see what security he proposed to give depositors that they would be paid in full."

The general belief that Mr. Thompson had resigned as receiver was mistaken. At least he had no immediate intention of resigning. The *Oregonian* of August 20, included a long letter from Mr. Thompson to the editor in which he asserted that he had had nothing to do with the management of the Savings Bank since 1886, although he continued as a member of the board of directors and owned stock with a par value of $20,000. Moreover, he asserted that he had retired from all business activities in 1891. The reports of the Comptroller of the Currency show that he did not serve as president of the Commercial National after 1891. Mr. Thompson went on to say that at the time of the panic he was not in Oregon.[16] On his return, he was asked for advice regarding the bank and when the institution was compelled to close he was asked to accept appointment as receiver. He accepted the post, he said, "as he could realize more on the assets than anyone else." He also said that he had furnished a faithful performance bond of $500,000.

[15] Such borrowing would not have expanded the liquid resources of the bank, but if the proceeds were left on deposit the aggregate deposits might have been bolstered and this might have been a factor in depositor confidence.

[16] He was United States Minister to Turkey from Nov. 1892 until Apr. 1893.

But, the letter continued, he had tendered his resignation to Judge Stearn and indicated his willingness to turn the job over to a successor. This resignation was prompted, he said, by the action of Mr. Dekum, head of the Savings Bank, in publishing a promise of full payment to every depositor. Under these circumstances he "felt that Mr. Dekum should have the choice of who the receiver would be."

This letter was probably intended to supply some needed infomation to the public and also to placate angry depositors. But a mere letter to the editor, even when written by a well-known and respected business and political figure, was not sufficient to stem the tide of depositor anger and resentment.

There was another meeting of the depositors' committee which was described by the *Oregonian* reporter as "chaotic in character." One resolution proposed that Judge Stearn be urged to appoint Mr. Frank Dekum or H. C. Stratton as receiver along with two depositors. But this resolution was not adopted. The action finally taken recommended the resignation of receiver Thompson and the nomination by the depositors of a candidate for receiver who, "would be placed in charge of the bank unless Messrs. Dekum, Durham and Stratton relent and place their property in trust."

But Mr. Thompson continued as receiver. Whether the court declined to accept his resignation or whether Mr. Dekum asked him to withdraw the resignation is not known.

On August 24, the depositors held another meeting to hear the report of the committee which had been appointed at the previous meeting. About five hundred depositors attended the meeting which was described by the *Oregonian* reporter in the issue of August 25, in these terms, "It was altogether the liveliest meeting, not excluding Democratic conventions, ever held in this city." The outcome of the meeting was the recommendation that Mr. H. W. Corbett (First National Bank) be appointed receiver, with C. H. Lewis, Theodore B. Wilcox, Henry Failing, and Peter Wagner as alternate choices. Apparently no one had bothered to consult any of these well-known figures in the First National Bank and the Ladd & Tilton Bank; as it turned out, none of them were willing to accept appointment. The tempestuous meeting concluded by discharging the original committee and appointing a new group consisting of Messrs. Brophy, Duggan, and Semmler.

On September 5, there was still another meeting of the depositors. Perhaps the excitement was somewhat diminished, for only two hundred depositors attended. The committee previously appointed reported that

none of the prominent persons recommended were willing to accept appointment as receiver.[17] The committee urged the meeting to recommend Mr. Charles R. Smith who had indicated his willingness to accept appointment. But the depositors would have none of it; they wanted Mr. Thompson to resign but they refused to recommend the appointment of Mr. Smith. The meeting did authorize a committee of five to wait upon the officials of the bank to "see upon what terms they proposed to resume business." This would indicate that some thought had been given to the possibility of reopening the bank.

On September 14, the *Oregonian* reported that there were good prospects for the reopening of the Portland Savings Bank. It was optimistically asserted that it was probable that the bank would reopen "on or before November 1." A "prominent man" was quoted as follows: "Now that the excitement has all subsided, I think it ought to be said in behalf of Mr. Dekum that he had not been treated as fairly as he should have been by certain people, especially by some of the working men."

The basis for the hope of reopening was that some of the bank assets had been liquidated and that creditors (depositors) were being asked to sign "extension agreements." In modern times, these would be called "waivers" and would provide a means of reopening for many a solvent but embarrassed institution. According to news accounts, these extension agreements expired February 1, 1894. It would, of course, have been impossible to reopen the institution if depositors had been free to withdraw their funds after such a short period. But later news accounts[18] made clear the significance of the date. Depositors were asked to sign an agreement to accept payment of deposits in ten equal annual payments. It was provided, however, that deposits might be applied without limit to the payment of indebtedness due to the bank. But the extension agreement was not valid unless the bank opened before February 1, 1894.

The effort to persuade depositors to sign extension agreements lagged, and early in January 1894, with the February first deadline approaching, the effort was intensified. The instrument used was a so-called "investigat-

[17] This was undoubtedly a wise decision by the representation of these large banks. In 1907, following the failure of the Oregon Trust and Savings Bank, an officer of the German-American Bank became receiver and the German-American Bank actually moved into the former quarters of the failed bank. This apparently was a mistake, for the German-American did not grow and finally went into voluntary liquidation. Perhaps the public came to associate the German-American Bank with the failed Oregon Trust & Savings Bank.

[18] *Oregonian*, Jan. 7, 1894.

ing committee of depositors." This committee was said to have been appointed "at the request of parties interested in the Portland Savings Bank" and consisted of Van B. Delashmutt, John McCracken, and H. H. Northup. That this committee was friendly is perhaps indicated by the fact that Van B. Delashmutt had been president of the Oregon National Bank until 1892 when he was succeeded by George B. Markle. The Oregon National suspended at about the same time as the Portland Savings Bank. It is somewhat strange that the former president of one failed bank should be the chairman of a depositors investigating committee for another closed bank. Mr. Delashmutt had disposed of his interest in the Oregon National in 1892, and was fortunate in escaping identification with the closed bank.

This new and apparently friendly committee reported[19] that "through the courtesy of the receiver" it had made a careful examination of the assets with the following result:

Total assets	$3,009,840.69
Total liabilities	2,475,146.38
Excess of assets over liabilities	534,694.31
Bills receivable, doubtful of collection	181,457.90
Excess of good assets over liabilities	353,236.41

The committee emphasized that the bank was solvent, but to insure the reopening a great many more depositors would have to "sign off."

In spite of editorial support for the campaign to induce depositors to sign extension agreements, the bank was unable to reopen. It was said that the Delashmutt committee had been succesful in securing signatures to extension agreements "within $75,000 of enough to enable the bank to reopen safely" when rumors got about that the bank would resume business. This made it difficult or impossible to secure further "sign offs." On the basis of this rumor, brokers began buying up the certificates of deposit, first at seventy-five cents on the dollar, and later as high as eighty-five cents on the dollar. But when it was announced that the bank would not reopen, the certificates could not be sold at any price. The *Oregonian* reported[20] that about $700,000 out of deposits of $2,400,000 had not "signed off." According to this account, some of the larger depositors had not signed off and were prepared to collect all of their deposits if the bank reopened. For this reason, the bank did not reopen.

[19] *Oregonian*, Jan. 5, 1894.
[20] Feb. 1, 1894.

Instead, a dividend or partial payment of ten per cent of the deposits was ordered paid. This distribution was paid on all deposits whether covered by extension agreements or not. The bank reopened on February 1 for the purpose of paying the dividend. The *Oregonian* reported [21] that it was necessary to station policemen at the doors to prevent confusion; depositors were reported to be in an amiable mood. The work of paying out money continued all day, but the greater amount of certificates presented were for small amounts. Rather incredibly, the amount of money paid out did not exceed $20,000; if all depositors had called for their funds, a total of some $240,000 would have been required.

It appears that in some fashion the extension agreements signed continued to be effective after February 1; perhaps the February 1 deadline had been eliminated from the document. At any rate, there was a stepped-up campaign to induce nonsigners to "sign off." It appears that Van B. Delashmutt was in the bank on the day of the payment of the dividend and urged nonsigners to sign up.

On February 10, a meeting of nonsigners was held; more than three hundred attended. These nonsigners submitted what was described as a "new proposition" to the bank management. This proposal would apply only to those who had not yet accepted the former proposition made by the bank. It was provided that the bank agree to accept their certificates of deposit either from them, *or their assignee* in payment of any indebtedness to the bank. It was believed that this would create a market for the certificates because persons indebted to the bank would be anxious to buy certificates at a slight discount to apply against their indebtedness at the bank.[22]

In mid-April 1894, receiver Thompson made a detailed accounting which was reported in the *Oregonian* of April 22. Mr. Thompson reported that he had collected more than $600,000 and paid $225,000 in dividends and more than $120,000 preferred claims; cash on hand was over $300,000. He made a strong plea for the signing of extension agreements by those who had not yet signed, pointing out that if the bank were reopened, the officers would be free to do many things that the receiver could not do and that it was probable that the bank could be speedily restored to a current basis. The alternative, he said was a pro-

[21] Feb. 2, 1894.

[22] The only difference between this provision and that included in the original extension agreement is that certificate holders could transfer their certificates and the buyer could then apply purchased certificates against their indebtedness.

longed and expensive period of liquidation. He had not received a salary, but could not continue to act without salary.

There was great rejoicing in the city when the bank reopened for business on May 1, 1894. The receiver filed his final account and was discharged, and bank assets were returned to the control of officers. It was said that the bank had declined a proffered loan of $150,000 on the security of the bank building on the ground it was not needed. The *Oregonian* reported[23] that negotiations looking to the opening of the bank had been conducted so quietly that it was not known that it was going to open until it had been opened. That the bank officers understood the psychology of repairing the lost confidence of depositors is indicated in this account by the reporter:

> Just before 10 o'clock yesterday morning there were more $20 pieces stacked up on the counters of the bank than were ever seen on any bank counter in the city before. But as some did not consider this prudent, the greater part of them were placed in the vault where a reporter had the felicity of gazing on them. The amount being over half a million dollars.

It was said that the total amount of cash paid out on reopening was not large. It seemed to be the old story, "as soon as the people found the bank had the money, they did not want it."

David P. Thompson must have been greatly relieved by the bank reopening. He had had a taste of the bitter criticism that quite commonly is directed somewhat indiscriminately to all who have any connection with a bank closing. In order to make clear to the public that he had no further connection with bank operation he published the following notice:

> TO THE PUBLIC
>
> By direction of Judge L. B. Stearns, I have this day turned over to the officers of the Portland Savings Bank all the property and assets of said bank. I have collected in the nine months that I have been receiver more than $700,000. I have paid off a large amount of the liabilities of said bank. I have received no compensation for any services and made no charge for the same, as I took the position of Receiver for the sole benefit of the depositors of said bank. I have no connection directly or indirectly in the management or business, nor with any other banking institution in Portland.

23 May 2, 1894.

Even after nearly three-quarters of a century, one can almost hear David P. Thompson breathing a deep sigh of relief when this notice appeared. He had undertaken a task that had turned out to be more onerous than anticipated and had resulted in bitter public criticism. Now a happy conclusion had been reached. But if this was his feeling, he was badly mistaken; the long depression of the 1890s would continue for some time, and David P. Thompson and the Portland Savings Bank would again be subjected to a barrage of public criticism.

A shipment of gold from Wells Fargo in San Francisco was received in a few days. The *Oregonian* story of May 5, 1894 indicates that the bank officers were wise enough to wring the last bit of publicity from the incident. Though the bank had no "vice-president for public relations," someone arranged to have the gold delivered at an appropriate moment. It is not unreasonable to suppose that the event was astutely stage-managed. The *Oregonian* reported:

> The vaults of the Portland Savings Bank were enriched yesterday by a shipment of gold from Wells Fargo & Co., the first that has been received from outside sources since the bank resumed payments. Quite a large crowd gathered to witness the removal of the gold from the express wagon to the vaults. There were ten large sacks, each containing about $20,000. This is the first of a number of shipments that will arrive daily from the same source. Public confidence has been greatly strengthened by the knowledge that the Savings Bank is receiving substantial assistance from the same sources that enabled the Commercial National to open its doors.

Perhaps the bank reopening was premature in the light of the shock to confidence and the continuing depression; perhaps the bank had reopened with too large a volume of deposits that had not "signed off" and were consequently withdrawable on demand. In any event there were few new deposits and depositors who had not signed waivers hastened to withdraw their funds.[24] The most liquid assets had already been converted to cash, and it was increasingly difficult to dispose of assets at ruinous prices. But the bank managed to struggle along until late November; on November 20, 1894, it was announced that the bank would not reopen. The

[24] It was later asserted that Judge Stearns, in whose court the receivership was administered, had $8,000 on deposit in the bank and withdrew these funds after the bank's reopening.

Oregonian reported[25] that the cause of the suspension was "lack of public confidence and a heavy and unremitting withdrawal of deposits." This time there was no hopeful note of possible reopening; in fact, it was flatly asserted that "no further effort will be made to reopen it and depositors will have to wait until the affairs of the institution are settled up before they can hope to realize on their accounts." Judge Stearns promptly appointed O. N. Denny as receiver. It appears that this was a "friendly receivership;" Mr. Cleveland Rockwell, apparently with the approval of the bank, brought suit for a nominal amount and in connection with the suit asked for the appointment of a receiver.

The *Oregonian* also reported that the bank closing was "undoubtedly hastened and perhaps precipitated by the death of Mr. Frank Dekum, president of the bank." It was reported that withdrawals had been quite marked from the moment the bank reopened, but that "after the death of Mr. Dekum it developed almost into a run."

News accounts of the second closing, while not hopeful, were not unfriendly. The stockholders had made a strong effort to affect a reorganization to prevent the second closing but this effort had been unsuccessful. The failure of this effort, said the *Oregonian,* was "owing to the general apathy of capital in any enterprise."

Early in 1895, the report of receiver O. N. Denny was made. This report showed assets of $1,965,192 and liabilities of $1,443,396. About two-thirds of the assets consisted of "bills receivable and mortgage loans" and "real estate owned or claims;" strangely, the statement of assets did not include the item "cash" unless it was included in "miscellaneous assets."

The liabilities consisted largely of deposits; these amounted to only a little over one million dollars as compared to nearly two and one-half million in August 1893. The liability side of the statement also reflected the efforts made to borrow funds to prevent collapse. Wells Fargo & Company, which had taken over the Commercial National in 1894, was owed $62,793. There was also shown a "mortgage to the U. S. Mortgage Company of New York on Lot 122, Block 19, City of Portland in the amount of $150,000." This was a loan secured by a mortgage on the bank premises that had once been rejected as "unneeded." Also included in the liabilities was an obligation to one John Green in the amount of $70,000.[26] The debts to Green and Wells Fargo were secured by collateral.

[25] Nov. 20, 1894.
[26] This was the balance of a loan of $100,000 which was said to be "secured" (endorsed) by F. Dekum and W. F. Burrell. The endorsers were said to have

There was no attempt to hold a meeting of depositors until May 1895. It is not likely that depositors were apathetic; it is more likely that they simply lacked leadership. On May 9, 1895, a meeting of about "half a hundred" depositors was held. Not only was the attendance much less than the attendance at stockholders meetings in 1893 after the first closing, but the general attitude was much less belligerent. Mr. Charles Reed was selected as chairman and Mr. R. B. Lawson as secretary. Though the attitude of the group was not especially belligerent, neither was it complacent. The purpose of the meeting, said Mr. Reed, was "to take some steps to ascertain what is being done on the part of the receiver toward realizing upon the securities held." It was said that the reports indicated that the receiver had only $5,000 on hand "after the payment of salaries, preferred claims and other expenses." Such a record said the committee, "is not satisfactory to the depositors." But the depositors were in a sober mood and sought only to appoint an investigating committee to discover "the actual condition of affairs, and have the same reported at a future meeting of the depositors."

The subsequent report of the investigating committee[27] was factual and calm although it did perhaps give undue importance to the matter of preferred claims. It disclosed that $2,039,000 of the total liabilities of $2,475,000 at the date of the first closing in 1893 had "signed off." Even under the difficult conditions, it would appear that with such a large proportion of the deposits frozen the bank should have been able to remain open. But the report of the committee also disclosed that after the bank reopened in May 1894, it had paid "dividends" or distributions to depositors of 30 per cent of their claims. This presumably meant that the bank voluntarily modified the "waivers" or extension agreements to the extent of 30 per cent of their claims. This was in addition to the 10 per cent dividend paid by the receiver. The committee did not criticise this so-called dividend of 30 per cent, although under all the circumstances the action seems imprudent, if not reckless. Quite possibly the bank might have been able to survive if the partial lifting of waivers had not occurred.

The report did reflect some bitterness in the matter of "preferred claims." The committee declared that "the great body of depositors had understood that no preferences would be allowed or created" and that the extension agreements had been signed "under this implied, if not express

been secured by about $200,000 of notes deposited with the Commercial National Bank as trustees.

27 *Oregonian*, May 18, 1895.

agreement." The committee declared that if funds had been paid pro rata without preference all depositors would have received 61 per cent of their claims up to the time of the second closing.

This computation was probably accurate but hardly relevant. The depositor who was also indebted to the bank had the "right of offset" and this gave him a sort of automatic preference. Also, it was customary then as now to pledge specific securities or other assets for governmental deposits. The statements also point to the possibility if not probability that the bank borrowed from Wells Fargo and others and gave these liabilities a preferred status in order to secure funds to pay dividends to depositors. This may have been unwise, but it could hardly have operated to injure depositors.

The depositors committee was pessimistic about the quality of the remaining assets. It reported that "your committee is impressed by the fact that many of the notes are worthless and will never be collected." Even the notes that were not clearly worthless were said to be "dependent on the security behind them and if that fails the recovery will be but little. The assets which nominally are notes are in reality timber lands, lots, farms, stocks . . ."

The name of David P. Thompson came back into the Portland Savings Bank picture early in June 1895. Receiver O. N. Denny began suit against Thompson to recover possession of four promissory notes held by Thompson to indemnify himself and the estate of Frank Dekum for liability as bondsmen for the administrator of the estate of Esther Holliday. The administrator of this estate had been held liable for certain wrongful acts, and Thompson and Dekum as bondsmen for the administrator were at least contingently liable for damages. Thompson claimed, not unreasonably, that it was the practice for bank officers to become bondsmen for administrators in order to secure business for the bank. He asserted that he held the notes pursuant to a resolution of the directors of the bank some years before authorizing indemnification of the president, cashier, and secretary against loss in acting as bondsmen.

In August, the depositors again became restless. But it was not suggested[28] that a meeting be held just to permit depositors to air their grievances; rather, it was suggested that a small committee be constituted with power to act on behalf of depositors. What was proposed was in effect a sort of protective committee.

The proposed committee was not established, but the report of re-

[28] *Oregonian*, Aug. 6, 1895.

ceiver Denny for the three months ending July 31, 1895[29] indicated that he was aware of depositor dissatisfaction. In this report he said that there had been no distribution to depositors because the preferred claims of Wells Fargo & Co. and John Green had to be paid first. Though this was true, it was certainly not a source of satisfaction to depositors. But he reported, without giving details, that these were now "considerably reduced." The receiver indicated that he was cheerfully confident that in the end fully 75 per cent of the claims would be paid, although he estimated that complete liquidation might take a year or more. His estimate was decidedly overoptimistic; the liquidation was not completed until January 1902.

Receiver Denny disclosed on August 27 that the liability to John Green had been paid and that there was $41,000 still due on the debt to Wells Fargo & Co. He anticipated that this preferred claim would be liquidated by the end of the year. He explained that when the bank reopened it had borrowed $100,000 from John Green and an equal amount from Wells Fargo in order to permit the bank to resume operations. These loans had had to be secured by the deposit of ample security. When the obligation to Wells Fargo was paid, he said, the only debt of the bank other than to depositors would be the $150,000 mortgage loan on the bank building located at 44 Washington Street.[30]

There was little progress in the liquidation of the bank for some time. The remaining assets were of very doubtful quality. Receiver Denny must have been discouraged, but he delayed his resignation for a little more than a year. On November 20, 1896, he made his regular quarterly report to the court and at the same time submitted his resignation. His announced reason was that he expected to be absent from the city for some time on private business. We may surmise that Mr. Denny welcomed the opportunity "to be absent from the city." Judge Stearns accepted Denny's resignation and appointed J. N. Dolph to replace him.

But the well-known and respected Mr. Dolph had no magic formula which would permit him to transform doubtful and worthless assets into

[29] Published in full in the *Oregonian*, Aug. 9, 1895.

[30] The Portland city directory for 1892 lists twenty banks, including eight National banks. The National banks were Ainsworth National, Commercial National, First National of Portland, First National of East Portland-Oregon National, Portland National, United States National, and the Merchants National. The financial district was in the area between Stark and Washington and running from Front Street to Third.

cash. Anyway, the cash collected had to be applied on the preferred claims and no distributions could be made to depositors. Mr. Dolph served as receiver until his death on March 10, 1897. Judge Stearns then appointed Richard Nixon who served as receiver until the case was finally closed in 1901.

Mr. Nixon had the problem of liquidating the final residue of assets, and this proved more than usually difficult. When he examined the title to real property held by the bank and obtained on foreclosure proceedings, he found that in a large number of instances no taxes had been paid for as much as ten years. In making sales of such property, he was compelled to apply a large portion of the sales proceeds to the payment of delinquent taxes.

The largest loss was on a "secured" loan of $210,000; the property given as collateral netted only $15,000. Nothing whatever was realized on a number of loans of upward of $10,000 each. The final cleanup of assets was by auction. At this sale, a judgment for $20,000 against one of the directors of the bank brought $4,500; a claim of $17,000 against another officer of the bank sold for $77.00. A note of the Walla Walla Savings Bank for $20,000 sold for $25.00.

One of the last assets to be sold was 10,000 acres of timberland in Klamath County. This property had come into the bank's possession as a result of foreclosure and it was sold at a substantial loss. It is an odd coincidence that in the liquidation of the Ladd & Tilton Bank in the years following 1925, one of the last assets sold was 10,000 acres of Klamath County timberland which had been also acquired by foreclosure and sold at a substantial loss. There is, of course, no evidence that this was the same property involved in the troubles of the Portland Savings Bank; but one wonders.

Receiver Nixon managed to pay the balance of the preferred claims and to make distributions to depositors amounting to 18 per cent of their claims. The final report of the receiver was approved, and the receivership ended on January 14, 1902.

According to an analysis by the *Oregonian*,[31] the bank owed $2,435,050[32] to depositors when it failed in 1893. The amounts paid to depositors over the period from 1893 to 1902 was detailed as follows:

[31] Jan. 15, 1902.

[32] According to the initial report of the receiver, the total liabilities were $2,475,146. The small difference between these figures probably reflects obligations for money borrowed or deferred income items.

Paid by D. P. Thompson while Receiver	$ 304,000
Paid by bank after reopening until second closing in November 1894	971,000
Dividends paid by Receiver Nixon	195,000
Total	$1,470,000

It is not possible to reconcile these figures with any certainty. Mr. Thompson paid a dividend of 10 per cent; presumably, this should have amounted to 10 per cent of $2,435,050 or $243,505 instead of $304,000. Perhaps the difference is accounted for by the deposits which were offset against debts of the depositors to the bank. The distributions to depositors after reopening amounted to 30 per cent; this would have amounted to $730,515. The larger figure shown is probably accounted for by amounts paid to depositors who did not "sign off." The greatest discrepency is in the dividend paid by receiver Nixon; this was said to be 18 per cent. This would amount to $438,309 as compared to the $195,000 reported paid. This difference may be partly accounted for by the fact that a large amount of deposits may have been cancelled by offset against debts of the holders to the bank. The Nixon dividend may have been applicable to a deposit total greatly reduced from the July 1893 totals.

Nevertheless, the above summary is probably reasonably accurate. The total payout was about $1,400,000 out of total claims of about $2,400,000. But the depositors who did not "sign off" received payment in full. Depositors who deposited funds shortly before the second closing in November 1894 received only the 18 per cent dividend paid by receiver Nixon.[33]

The failure of the Portland Savings Bank, the abortive reopening, and the prolonged period of liquidation was a major disaster. To be sure, all bank failures are disasters; but the overoptimistic reopening of the bank in 1894 and the varying percentages received by different depositors produced more than the usual bitterness and community conflict. The business reputations of many persons were irreparably damaged, and without doubt, this was undeserved in many cases. But bank failures, like such natural disasters as earthquakes and hurricanes, do not distinguish between the just and the unjust. The people of Portland were relieved when the unfortunate affair was at long last ended. But they would not soon

[33] According to the *Oregonian*, at least some depositors did not elect to withdraw the various dividends beginning with the 10 per cent dividend paid by receiver Thompson and aggregating 40 per cent. Such depositors would have received only the 18 per cent paid by receiver Nixon.

forget it. The *Oregonian*[34] summarized the attitude of most Portlanders:

> "It is such an old, old story that everyone will be glad to hear the end of it. But the matter has left scars on many which are not healed nor shall as long as the sufferers live."

The attempt of David P. Thompson to disassociate himself from the affairs of the Portland Savings Bank after the reopening in May 1894 was not wholly successful. True, he no longer had any official relationship to the institution, but he could not escape identification with the tangled affairs of the bank. He was one of the founders of the ill-fated institution, and had served as president; and after the bank closed, he had accepted appointment and served as received until the ill-advised reopening. His name frequently appeared in connection with published comment and criticism relating to the bank.

His association with the defunct Savings Bank was used by Harvey Scott, editor of the *Oregonian,* as a useful weapon in a controversy with Thompson over the banker's somewhat unconventional views of monetary policy. Thompson was an ardent "silver Republican" and had been active in expressing these views in the presidential campaign of 1896. Presumably, the election of 1896 settled the issue of free silver, at least for the time being. But evidently David P. Thompson remained an unreconstructed believer in the doctrine of free silver; he did not easily surrender. In July 1897, for reasons that are not now clear, he announced, and even advertised, that he would give a "lecture on finance" on July 31. It is rather clear that this was intended to be political and not academic in nature. Mr. Thompson had no intention of discussing such matters as corporate capital structures or the characteristics of various types of securities; he intended to extoll the virtues of the unlimited coinage of silver at the ratio of sixteen to one.

His former partner in the woodcutting venture, Harvey Scott, who was now editor of the *Oregonian* and a gold-standard Republican suggested that". . . he should devote his lecture on finance advertised for July 31 to an exposition and exploration of the affairs of the Portland Savings Bank . . ."

Mr. Thompson did not take kindly to this suggestion, which clearly attempted to discredit him by recalling his association with the affairs of the Portland Savings Bank. He apparently, in concert with others, pre-

[34] Jan. 15, 1902.

pared and published a statement asserting that Thompson had had nothing to do with the management of the bank for six years before the closing and that he had acted as receiver without salary and wholly because of his concern for the best interests of depositors. But this "statement" added fuel to the fire and afforded the *Oregonian* editor an opportunity to recall the record of the prolonged affair of the bank. Editor Scott pretended regret that Thompson did not take kindly to his suggestion that he devote the lecture to "an exposition and explanation of the affairs of the Portland Savings Bank." The editor went on to say that Mr. Thompson was quite competent to deal with this subject and that "he could if he would reveal quite a lot of things about the Portland Savings Bank."[35]

On July 31, editor Scott proposed in an editorial that Mr. Thompson devote his lecture that evening to the stock and dividend transactions of the Portland Savings Bank.[36] If Thompson would do this, the editorial promised that "the *Oregonian* will not only publish his lecture in full but will pay him for it at highest space rates." The editorial went on to propose some specific questions for Mr. Thompson to discuss:

> The narrative should include these main facts; it should show the amount of the original capital stock, who the subscribers were and the amount of each subscription; when the assessments were made and how much was paid in. Next it should show when the capital stock was increased and by what amount, how the increase was allotted and distributed among the shareholders, when the new stock was paid for in cash to the bank, whether it was 'constructively' paid for by dividends out of alleged profits or whether there was any pretense of payment at all.

But Mr. Thompson went ahead with his lecture on finance. From the editorial response, it is quite clear that it was a condemnation of the gold standard and a plea for bi-metallism. An editorial in the *Oregonian* of August 1, 1897 answered the arguments presented by Mr. Thompson and concluded by scolding him in the following words:

> In fact Mr. Thompson ought to be ashamed of this whole business. His contention is ridiculous, it is contrary to truth, it discredits his in-

[35] July 30, 1897.
[36] These matters were embarrassing because (as editor Scott knew) the capital stock had not been paid in full and because the bank had paid a dividend on the stock as late as April 1893.

telligence, impeaches his sincerity and tends to make him contemptable in the eyes of those whose good opinion is alone worth having.

Mr. Thompson's effort to resurrect the corpse of free silver could hardly be considered a success. It is not easy to understand why he attempted it. He was an experienced and able politician and he must have known that his connection with the savings bank would be exploited by his opponents. Perhaps he did realize that the effort would be futile, but felt an impelling urge to speak his mind regardless of consequences. Another possibility is that he believed that he could in some way associate Portland banking troubles with the operation of the gold standard.

The Portland Savings Bank and the Commercial National Bank were quite closely associated. There was some common ownership; there was also some community of management. Mr. Thompson was listed as president of the Commercial National from incorporation in 1886 through 1891; during these same years, R. L. Durham was cashier. In 1892, Mr. Frank Dekum became president and Edward Cookingham became cashier. Mr. Cookingham was later prominently identified with Ladd & Tilton. All of these persons, with the exception of Mr. Cookingham, were also involved in the management of the Portland Savings Bank. Moreover, the two institutions shared the same building at the corner of Second and Washington streets. The Portland Savings Bank occupied the Washington Street side and the Commercial National used the Second Street side.

Since the two banks were so closely allied, the Commercial National was also compelled to suspend. But the Commercial National was under the supervision of and subject to examination by the Comptroller of the Currency. The newly appointed Bank Examiner for Oregon seems to have assisted in successful efforts to reopen the Commercial National as well as the Ainsworth National and the Oregon National.[37]

Just how and on what basis the Commercial National reopened is not quite clear. Either or both of two methods have been used in such circumstances. One of these devices is to require or induce existing stockholders or others to contribute additional capital; the other is to induce depositors to sign waivers or extension agreements as was done in the case of the Portland Savings Bank.

The Commercial National was reopened after about a two-month suspension. The financial statements for 1893 and years following shown

37 Gilbert, *op. cit.* (above, note 1).

in the Comptroller's reports indicate no change in the capital stock account, but a sharp reduction in "undivided profits." This is not necessarily proof that no capital contribution was required since it is possible that an additional capital contribution was carried to undivided profits and subsequently used to write off doubtful assets. But it is unlikely that additional capital was paid in; the principal stockholders were themselves in financial difficulties and would have found it difficult or impossible to contribute additional funds. There was no evidence of a public campaign to induce depositors to sign extension agreements. But extension agreements were signed by at least some depositors. This is demonstrated by the announcement in April 1894 that depositors would thereafter be free to withdraw their funds at any time.

The Commercial National did not suspend immediately on the closing of the Portland Savings Bank. It managed to stay open until August and the deposits were reduced by about $900,000. It reopened in October.

Shortly after the reopening of the bank, some of those interested approached Wells Fargo & Co. with a view to selling the bank or a controlling interest in it to the Express Company. After some investigation, Wells Fargo bought a controlling interest in the Commercial National. The purchase was announced on February 24, 1894, although details were withheld. It was rumored that the amount involved was from $250,000 to $500,000. This change of ownership was welcomed by an *Oregonian* editorial on the same date:

> Purchase by Wells Fargo & Co. places the Commercial National on a sound footing and demonstrates that it was on a solid footing all the time,[38] even in the senseless panic of last summer. The Wells Fargo is able to double or quaduple its present stock and pay up the whole increase should it be thought at any time prudent and profitable to do so.

A few days later, Mr. Homer S. King of Wells Fargo disclosed some of the details of the transaction.[39] Wells Fargo had purchased only a controlling interest and many of the stockholders retained their stock. The majority of the board of directors "would remain as now constituted." He said further, "We have bought an interest with your people and are now one of you." The Wells Fargo representatives clearly desired to disassoci-

[38] Time would demonstrate that this was not true.
[39] *Oregonian*, Feb. 27, 1894.

ate themselves from the affairs of the Portland Savings Bank. This is evident in the following statement:

> Before entering into this arrangement we were cognisant that the public had generally considered the Commercial National Bank and the Portland Savings Bank as practically one and the same. This is not the case; the banks are entirely separate and distinct.

It was stated that the persons whose stock had been purchased were generally those who had owned stock in both banks. The fortunate stockholders who had sold out to Wells Fargo cannot now be identified but it seems clear that David P. Thompson was one of them. Announcement was made, also, of a meeting of stockholders on March 14 to increase the capital stock from $250,000 to $500,000.

The capital stock was increased as planned and the new board of directors was announced. The board consisted of John J. Valentine and Homer S. King of Wells Fargo and six other persons, most of whom can be identified as Portlanders. Mr. Valentine, who was head of Wells Fargo, was named as president although it is unlikely that he was concerned with the day-to-day management of the institution. The other officers were Portlanders. Edward Cookingham, who would shortly (1896) become identified with Ladd & Tilton, was cashier, M. C. Wortman and R. L. Durham were vice-presidents, and R. N. Dooly was assistant cashier.

It was not long before Wells Fargo regretted its entrance into Portland banking. There is some indication that the investigation of the quality of the assets was not as thorough as it should have been. Mr. Frederick Lipman of Wells Fargo who made the investigation of the Commercial National has been quoted as follows:

> I listened to what those people said and I passed on a lot of assets that should never have been passed. The reason that I made that kind of error was that I laid too much stress on their good faith. I didn't allow for the fact that a man of good faith might lack something of good judgment. In my investigation I would ask them about this or that or the other thing and they would tell me and it would appear to be all right. Homer King came up (to Portland) after I had been there some weeks; he took my results and Wells Fargo purchased the bank. The result was that we lost everything that we put into it. Mr. Valentine was so annoyed over the whole transaction that he took hold of the place and ran it his own way, which much increased the loss. . . .

It was all a very bad bargain. Wells Fargo put $300,000 into the Portland Bank and stood a fair chance of losing at least half that figure, but in the end lost all of it . . . .[40]

Wells Fargo continued to operate the institution under its national charter and with the Commercial National name through 1897. The financial statements of the bank for this period are included in the *Annual Reports* of the Comptroller of the Currency. The Comptroller's report for 1898 shows that on May 13, 1898, the bank entered voluntary liquidation. This term is, however, misleading; what happened was that Wells Fargo[41] simply gave up the national charter and thereafter ran the bank as a division of Wells Fargo & Co. under the name of the Wells Fargo Bank.

The enterprise was unsuccessful, but continued until 1905. On June 5, 1905, the ill-fated institution was taken over by the rapidly rising United States National Bank of Portland. But even in 1905, after some years of generally prosperous business, the deposits were only a little over a million dollars or slightly more than half the deposits of 1892.

Some of the important financial statement items of the Commercial National Bank over the years 1886-1897 follow:

	Total Assets	*Capital Stock*	*Surplus*	*Undivided Profits*	*Deposits*
Oct. 7, 1886	$ 624	$100	$----	$ 7	$ 494
Oct. 5, 1887	1,175	250	30	20	839
Dec. 1, 1888	1,323	250	50	25	957
Dec. 2, 1889	1,761	250	50	68	1,345
Oct. 2, 1890	1,808	250	50	104	1,352
Dec. 7, 1891	1,719	250	50	133	1,239
Sept. 30, 1892	2,224	250	50	160	1,718
Dec. 4, 1893	1,637	250	50	116	982
Oct. 2, 1894	1,751	500	50	50	1,105
Sept. 28, 1895	1,746	500	30	21	1,149
Oct. 6, 1896	1,643	500	30	4	1,063
Oct. 5, 1897	1,051	500	30	7	470

(All figures in thousands)

Financial statements for the Wells Fargo Bank for the period following 1897 and until absorption by the United States National Bank of Portland are not available. But the financial statement of the bank at the time

[40] Edward Hungerford, *Wells Fargo, Advancing the American Frontier* (New York, 1949).

[41] Probably by this time the Express Company had acquired complete ownership.

it was taken over by the United States National shows that total assets were $1,025,000 and deposits $1,022,000.[42]

It would appear that some sort of private disaster must have struck the Commercial National in the last year of its corporate existence. It is improbable that the reduction in deposits of more than one-half from 1896 to 1897 was a result of loss of confidence in Wells Fargo & Co.; the pioneer express company was recognized as a financially strong and powerful institution not only in Portland but in the entire United States. Neither was the decline a reflection of a business downturn either in Portland or the nation; the deposits of other Portland banks increased substantially in 1897. It is probable that the Commercial National found increasing difficulty in disassociating itself from the tangled affairs of the Portland Savings Bank. The affairs of the savings bank were very much in the public eye through 1897, and it must have been increasingly difficult for Portlanders to remember that the Commercial National and the Portland Savings Bank were not in some way related. Perhaps if the Commercial National name had been changed when Wells Fargo assumed control in 1894 the outcome would have been more satisfactory.

Without doubt, the financial difficulties of these two banks were embarrassing to David P. Thompson. But his personal fortunes seem not to have been unduly depleted. He died on December 13, 1901, just about the time that the affairs of the Portland Savings Bank were being wound up. His estate was given a valuation of $784,274 by appraisers.[43] The estate included substantial holdings of bank stocks. More than half of the total value of these holdings were in the banks controlled by Levi Ankeny in northeastern Oregon and southeastern Washington. The list of bank stock holdings follows:

	Shares	Value
Columbia National Bank, Dayton, Wash.	25*	$ 2,750
Fidelity National Bank, Spokane, Wash.	25	7,500
Bank of Washington, Farmington, Wash.	10	1,000
First National Bank of Walla Walla, Wash.	170*	42,500
First National Bank of Baker, Ore.	50*	8,850
First National Bank of The Dalles, Ore.	50	7,500
Astoria Savings Bank, Astoria, Ore.	50	4,000
First National Bank of Pendleton, Ore.	50*	10,000
Pendleton Savings Bank, Pendleton, Ore.	37½	4,750
		$88,850

*Levi Ankeny banks

[42] From *The United States National Bank, A Historical Sketch*, by Cara Lee McFarland (Portland, Ore., 1940).
[43] *Oregonian*, Feb. 4, 1902.

The financial winds of July 1893 did not blow down all Portland banks. Some were able to struggle through without even temporary suspension. These include the First National, the United States National, Ladd & Tilton, The Merchants National, and the Portland Trust Company (now the Oregon Bank). No financial statements are available for Ladd & Tilton or the Portland Trust Company because these institutions operated under state laws. But statements for the national banks are available in the reports of the Comptroller of the Currency. These statements reveal that even the banks that did not suspend were subject to severe pressure and deposits dropped to an extent that must have been alarming. The following summary statement shows for each of the three national banks that did not suspend the total stockholders funds and deposits over the years of crisis from 1891 through 1897.

	First National		Merchants National		U. S. National	
	Stockholders Funds	*Deposits*	*Stockholders Funds*	*Deposits*	*Stockholders Funds*	*Deposits*
Dec. 7, 1891	$1,386	$3,477	$1,078	$869	$259	$290
Sept. 30, 1892	1,357	3,166	555	999	275	435
Dec. 4, 1893	1,324	2,511	555	489	278	391
Oct. 2, 1894	1,110	3,729	549	263	276	458
Sept. 28, 1895	1,157	3,967	299	171	292	449
Oct. 6, 1896	1,111	3,560	299	318	294	339
Oct. 5, 1897	1,111	5,337	299	312	290	365

(All figures in thousands)

It should be noted that in this statement deposits include amounts due national and state banks. Some error may be involved, since at least some of these balances may represent money borrowed; but they may also reflect interbank deposits. The error would be greater in the case of the larger First National Bank. The large increase in deposits shown for that bank in 1897 represents mainly an increase in "due to national banks."

It should also be observed that the deposit reductions in 1893 reflected in this statement probably do not adequately reflect the financial pressures of July. The Comptroller mercifully held off the "call" for financial statements until December 4. This unusual delay was without doubt deliberate and intended to permit the publication of statements that reflected more normal conditions than those prevailing in July and August of 1893.

The run-off of deposits extending from 1892 through 1895 in the Merchants National[44] was extraordinary. It is not easy to understand how a

[44] The Merchants National was incorporated in 1886 as the successor to the Willamette Savings Bank which was established in 1883. The Merchants National

bank could remain open in the circumstances of a decline in deposits from $999,000 to $171,000 in the brief period of three years. The deposit losses of the First National and United States National were largely limited to the single year of 1893.

The record of the Portland National Bank during this period is extraordinary for a different reason. It is difficult to understand how this institution was able to operate over the years from 1884 until it went into voluntary liquidation in 1896. The bank did not suspend during 1893 or following years, but this was not at all important. The institution was almost at the point of complete liquidation for the entire period. This bank apparently did not lose the confidence of the public; it never had it. How it was able to pay expenses is a mystery. The essential financial-statement items of the Portland National over this period are shown in the following statement.

Portland National Bank

	Loans and discounts	*Capital stock*	*Surplus and undivided profits*	*Deposits*
Sept. 30, 1884	$102	$135	$ 5	$ 35
Oct. 1, 1885	51	100	6	55
Oct. 7, 1886	72	100	10	58
Oct. 5, 1887	73	100	11	63
Oct. 4, 1888	76	100	15	56
Sept. 30, 1889	76	100	18	45
Oct. 2, 1890	75	100	11	56
Sept. 25, 1891	89	100	11	56
Sept. 30, 1892	247	100	10	222
Dec. 4, 1893	92	100	6	62
Oct. 2, 1894	47	100	4	20
Sept. 28, 1895	6	100	----	17

(All figures in thousands)

There were branches of two foreign banks in Portland in 1893. The Bank of British Columbia had been established in 1869 and in 1901 would be absorbed by the Canadian Bank of Commerce. In 1882, the London and San Francisco Bank established a branch in Portland. On February 21, 1905, the Bank of California, then a California state-chartered institution, acquired the San Francisco business of the London and San Francisco Bank together with its branches in Portland, Seattle, and Tacoma.[45]

was merged in January 1916 into the Northwestern National Bank. In 1927, the deposits of the Northwestern National Bank were assumed by the First National Bank of Portland and the United States National Bank of Portland.

[45] The Bank of California acquired a national charter in 1910, but was permitted

The Ainsworth National had its origin in the private bank of J. C. Ainsworth, which was managed by Colonel L. L. Hawkins.[46] The institution was incorporated in 1886 as the Ainsworth National Bank. Mr. Ainsworth had been one of those associated with the highly profitable Oregon Steam Navigation Company. He was widely respected and correctly identified as a man of substantial wealth. The bank was conservatively managed and generally well-regarded. But the financial winds of July 1893 were not very discriminating, and the strong Ainsworth National was forced to close. It remained closed for only a short time and when reopened was able to remain open. Although J. C. Ainsworth was recognized locally as a man of wealth, he was a resident of California. Perhaps his absence accounts for the temporary suspension. Mr. Ainsworth died December 30, 1893.

Although the Ainsworth National was able to stay open after the temporary closing, the financial pressures continued until 1896. The following statement shows deposits, capital stock, surplus and undivided profits and total assets from 1889 through 1902 for the Ainsworth National:

Ainsworth National Bank Selected Financial Statement Items

	Total assets	*Capital stock*	*Surplus and undivided Profits*	*Deposits*
Dec. 2, 1889	$648	$100	$ 37	$489
Oct. 2, 1890	672	100	53	456
Dec. 7, 1891	615	100	79	413
Sept. 30, 1892	672	100	109	440
Dec. 4, 1893	547	100	102	316
Oct. 2, 1894	480	100	107	233
Sept. 28, 1895	393	100	53	183
Oct. 6, 1896	459	100	50	270
Oct. 5, 1897	492	100	55	317
Sept. 20, 1898	531	100	46	364
Sept. 7, 1899	557	100	32	403
Sept. 5, 1900	649	100	28	496
Sept. 30, 1901	721	100	36	560
Sept. 15, 1902	972	100	50	797

(All figures in thousands)

to retain these branches. This gave the Bank of California a unique status as a national bank with interstate branches. The Bank of British North America had established a branch in Portland in 1879, but this branch was discontinued after a brief time.

[46] The title "Colonel" was honorary; he could have accurately called himself "Doctor" since he had earned a Ph.D. degree in the University of California and had taught civil engineering and mathematics in that institution.

It is notable that surplus and undivided profits continued to shrink for some years after deposits turned upward in 1896. Since this conservative institution would hardly have followed a profligate dividend policy, this presumably reflected operating losses from 1894 until the end of the century.

On November 1, 1902, the Ainsworth National and the United States National were merged under the name of the latter institution. The United States National Bank had been established in 1891 and opened for business in the Kamm Building at First Avenue and Pine Street. It remained here only briefly, and in 1892 moved to the Concord Building at Second Avenue and Pine Street. The bank remained in this location until the merger with the Ainsworth National when the merged institution opened for business in the Ainsworth Building at the northwest corner of Third and Oak Street. This had been the location of the Ainsworth National. The United States National Bank would remain at Third and Oak until 1917 when it moved to the present location at Sixth Avenue and Stark Street.[47]

Another major casualty of this difficult period was the Oregon National Bank. This institution had taken over the Metropolitan Savings Bank some years before and until 1893 had been regarded as a sound institution. Closely associated with the Oregon National was the Northwest Loan and Trust Company. These two institutions had substantially the same management and were located across the street from each other; the Oregon National at the northeast corner and the Northwest Loan and Trust at the southeast corner of First Avenue and Stark Street.[48] This was more or less in the center of the financial district. The Ladd & Tilton Bank was at the southwest corner of First and Stark.

The Oregon National was incorporated June 7, 1887, and until the end of 1891, Mr. Van B. DeLashmutt served as president. Sometime in late 1891 or early 1892, a substantive interest in the bank was acquired by George B. Markle who became president in 1892. Mr. Markle was also interested in various other enterprises and was president of the Portland Consolidated Street Railway System. Some of these enterprises were borrowers from one or the other of the two affiliated banks.

The Oregon National closed its doors on July 27, 1893, and was quickly

[47] McFarland, *op. cit.* Some several years later a further addition was made on the quarter block cornering on Stark and Broadway.
[48] *Portland City Directory. 1892* (R. L. Polk & Co., Publishers).

followed by the Northwest Loan and Trust.[49] The *Oregonian* reported[50] that the Oregon National had been "engaged in the promotion of certain enterprises that require time for development and carrying a class of securities from which money could not be realized quickly."

After being advised of the closing by telegraph, the Comptroller of the Currency appointed Mr. D. F. Sherman, cashier of the closed national bank, as receiver. This, of course, was only a temporary expedient; in a few days, Mr. Lionel Stagge, the National Bank Examiner, became the receiver.

The closing of these two banks resulted in great pressure on other Portland financial institutions; the Portland Savings Bank, Commercial National, and the Ainsworth National were compelled to close and the Merchants National remained open with great difficulty. The *Oregonian* of July 29, 1893, rather optimistically reported:

> No after effects in local financial circles yesterday—some small depositors drew out their money, but whenever this was done others went in and deposited. A lot of hobos gathered around the Merchants National about the hour of opening and made such a crush that the police had to disperse them. They were mostly people who never had a cent in any bank.
>
> The bank (Merchants National) will open this morning with more cash on hand than yesterday.

Through the efforts of receiver Stagge, the Oregon National reopened on September 10 in new quarters in the Chamber of Commerce Building. This reopening probably involved the signing of extension agreements by some depositors although the details seem not to be available. The Northwest Loan and Trust did not reopen, but it was rumored that this institution would reopen "in a few weeks." But this rumor would prove to be quite optimistic; the Northwest Loan and Trust never did reopen and in the liquidation, depositors received only a small proportion of their claims.

The reopening of the Oregon National proved to be premature and quite unjustified. The affairs of the institution turned out to be much more involved than had been realized. The Mulnomah County Sheriff

[49] Followed also by the Ellensburg National Bank of Ellensburg, Washington, which was controlled by the same interests.
[50] July 28, 1893.

and Tax Collector, with the rather improbable name of Penumbra Kelly, had deposited substantial sums in both the Oregon National and the Northwest Loan and Trust without requiring the customary security. The matter was further complicated by the fact that Mr. Markle was one of Sheriff Kelly's bondsmen.

When the banks closed in July, the county tax funds deposited in the Oregon National were approximately $149,000 and in the Northwest Loan and Trust Company approximately $169,000. After the reopening of the Oregon National in September, the balance in that bank was increased to approximately $160,000. Mr. Kelly understandably feared to withdraw public funds from the Oregon National because such action would undoubtedly result in the bank closing for the second time. Though his failure to require security for public deposits was imprudent and probably illegal, it is possible to sympathize with his dilemma after the banks closed; anything he did was likely to be wrong. If he did not take vigorous action to demand payment of the public deposits he would violate his trust; if he did he quite probably would be responsible for a bank failure.

In any event, the matter was soon out of his hands. The Grand Jury brought an indictment against Sheriff Kelly late in 1893. Probably anticipating this action, he reduced his balance to $125,000. This withdrawal, together with the wide publicity given the matter, caused the permanent suspension of the bank and the appointment of a receiver on December 12, 1893.

Mr. Stagge was again appointed receiver and he began the long and difficult task of liquidation. As might be anticipated, the process was slowed by litigation of various sorts. There was, for example, the matter of public deposits. Multnomah County brought suit to establish preference for public deposits. An assessment of $50.00 per share was levied on the stock, but this levy was quite unproductive; most stockholders were unable to pay the assessment. Moreover, a majority of the stock or 1,105 shares of the total 2,000 shares was held by the Court to be owned by the Northwest Loan and Trust Company, and this institution was in even worse condition than the Oregon National. This stock was listed in the stock records of the bank in the names of President Markle, Cashier Sherman, and others. But the Court held that the Northwest Loan and Trust had purchased the stock from these individuals and was liable for the assessment.[51]

[51] *Oregonian*, June 14, 1895.

The liquidation of the Oregon National dragged as receiver Stagge[52] found it increasingly difficult to collect debts. Because of legal complications and the deepening depression, he was unable to make any distribution to depositors and there apparently developed some opposition to Mr. Stagge by depositors.

In March of 1894, it was rumored that a new receiver would be appointed by the Comptroller at the suggestion of President Cleveland. The *Oregonian*[53] protested in an indignant front page article; the story offered no particular defense for Mr. Stagge, but attacked the rumored appointment as political. The prospective appointee was said to be a Buffalo, New York, political crony of President Cleveland with no particular qualifications for the position.

Whether because of the opposition of the *Oregonian* or for other reasons, this appointment was not made. But early in April, Mr. W. W. Catlin, who was described by the *Oregonian* as "a well known citizen of Chicago" was appointed. This appointment apparently met with the approval of the *Oregonian* and the local financial community. Mr. Catlin continued the process of liquidation, and the affairs of the bank were finally wound up in November 1897.[54] Depositors received a total of fifty cents on the dollar for their claims. The *Oregonian* reported that this was "considerably more than any of the depositors expected when the concern closed for the second time."

The stockholders funds in the Oregon National were large in relation to loans and deposits. This would indicate that the losses in collection of loans and disposal of assets must have been huge. The Report of the Comptroller of the Currency assigned "injudicious banking" as the cause of the failure. The following summary of financial statement from 1887 through 1893 supports the Comptroller's judgment:

[52] Mr. Stagge was appointed by the Comptroller of the Currency since the Oregon National operated under a national charter. The liquidation of the Northwest Loan and Trust was under the control of the state court since it was incorporated under state laws (no Federal bankruptcy statutes then existed). When the bank closed, Mr. J. L. Hartman who was Secretary of the Portland Clearing House Association, was named as assignee. He was later appointed as receiver by Judge Stearns.
[53] Mar. 11, 1894.
[54] *Oregonian*, Nov. 23, 1897.

Oregon National Bank Selected Financial Statement Items
(in thousands)

	Loans	Capital Stock	Surplus and undivided profits	Deposits
Oct. 7, 1887	$220	$100	$ 8	$161
Oct. 4, 1888	423	200	23	276
Sept. 30, 1889	549	200	31	481
Oct. 2, 1890	693	200	47	685
Sept. 25, 1891	580	200	65	555
Sept. 30, 1892	446	200	48	466
Dec. 4, 1893	387	200	42	366

It is evident that the *Oregonian* considered that a fifty per cent payout was a better-than-anticipated performance and that receiver Catlin had done a good job. It reported that certificates of deposit had been selling for twenty-five cents on the dollar but that the price had increased steadily since the appointment of Catlin.[55]

This same issue of the *Oregonian* carried a somewhat ironic story of a man who had a deposit of $3,600 in the Oregon National. Just before the bank closed he withdrew $3,500 and when news of the failure reached him, considered himself most fortunate. But he subsequently admitted that he would have been better off if he had left the money in the bank; he had invested the money in property and was then unable to get as much as fifty cents on the dollar out of it. Perhaps this story was intended to console depositors in the failed bank; they might have been worse off if they had been able to withdraw their funds before the bank closing. But it is doubtful if depositors got much comfort from the story.

During this difficult decade, there were other bank failures and bank closings not only in Portland but in all sections of the state. Cities and towns in which there were banking troubles ran from Albany, Arlington, and Astoria to Yamhill and Yoncalla. So far as bankers were concerned, the decade of the 1890s could hardly be termed "gay"; perhaps a better term would be the "grim nineties"; neither was it a gay decade for depositors whose funds were lost or immobilized for long periods. Businessmen, farmers, and others who found necessary and normal borrowing difficult or impossible probably did not consider the period an especially happy one.

But it was a testing period; though such periods are difficult, they do serve to weed out the incompetent, the inexperienced, and sometimes the dishonest. Perhaps it would have been better if some sort of regulation and control had prevented the incompetent and inexperienced from be-

[55] *Ibid.*

coming bankers; but we cannot be sure that such controls would have operated to admit the competent and exclude the incompetent.

From the troubles that began in July 1893, a stronger and better banking structure emerged, better able to play its proper role in facilitating the exchange of goods and services. Bankers who emerged from the financial storms of the 1890s with their reputations intact and records clear constituted a sort of unorganized and informal fraternity. The relationship between the survivors of the financial storms was not unlike the association and relationship of veterans of great wars and military campaigns. These bankers had something to reminisce about. Probably none of them would have cared to relive those difficult years.

The ugly face of a bank run, Northwestern National Bank of Portland, 1927, corner of Sixth and Morrison.

A BLUFF THAT WORKED

a bold front saves a new bank from suspension

Mr. S. G. Sargent, Oregon State Superintendent of Banks, 1913-1918. This photograph was taken when he retired from the Federal Reserve Bank of San Francisco in 1938.

On the opening day, the little town was full of lumberjacks resting after a log drive from the up river camps; and most of them were drunk.

A bank must be able to meet the cash demands of depositors at all times. Even for a solvent bank this may not always be easy. It is necessary not only that assets be adequate, but also that a substantial portion of these assets be reasonably liquid and quickly available. The essential problem in banking is to maintain a proper balance between liquid resources that produce little or no income, and less liquid but higher earning assets. Even if assets greatly exceed liabilities, it may be difficult to meet depositors' demands if a large portion of the resources are illiquid.

This difficulty still is a matter of concern to bankers, although the problem is not nearly as pressing as it was in the early days of banking. The development of branch systems has served to reduce the magnitude of the problem, since a sudden or unexpected demand for cash at one branch can be met by transfers from other branches. The development of rapid transportation and communication has made it possible for a bank to quickly obtain assistance from correspondent banks, or from the Federal Reserve Bank. Deposit insurance has greatly reduced the danger of "runs."

The problem of liquidity was especially difficult for the isolated small banks of a half century ago. Help could not be expected from correspondent banks short of a week or ten days at the least. Rediscount facilities and secondary reserves were generally absent. Even if such a bank had secondary reserves, the time required for liquidation and shipment of cash proceeds to the beleaguered bank meant that such resources were of little value in an emergency. Isolated small banks in this period found it necessary to hold relatively large balances of cash in their own vaults.

But the problem might be made especially difficult for a small isolated bank, if opposing business or political interests deliberately sought to embarrass the institution. All that was necessary was to accumulate claims against the bank in the form of checks, and then at some inconvenient time present these claims over the counter and demand cash. This practice was rare, but not unknown. Mr. S. G. Sargent, a former Oregon state superintendent of banks (1913-1918), has related one such incident that occurred early in the century while he was cashier of a very small one-man bank in a northwestern state.

Mr. Sargent,[1] in 1903, young and recently married, had just lost his position as cashier in a small country bank because he refused to sign a statement he considered to be untrue. Seeking a new job, he learned that some men who owned a bank in a nearby city, and who had extensive timber holdings near a small town of 250 population, located in a remote area on Lake Coeur d'Alene, planned to establish a bank there. Unfortunately, however, rival timber interests were also seeking a bank charter for the same place; quite clearly, such a small village could not possibly support two banks.

In these circumstances, the young Mr. Sargent was asked to go to this small community and rent a suitable building, without disclosing the purpose for which it was to be used, and open the bank without notice, taking a chance that the necessary charter would be subsequently issued; it was believed that if a bank were established, even without a charter, the rival interests would abandon plans for a competing institution.

The only access to this small village was by boat across Lake Coeur d'Alene, a distance of about twenty-five miles, and then an equal distance up a wide meandering river. A full half day was required for the trip. In searching for a suitable location, he explained that he planned to set up an insurance office, which was more or less true, as it was customary for small country banks to write insurance.

[1] Mr. Snowden Guy Sargent began a distinguished banking career as a clerk in the Old National Bank of Spokane in 1893. From 1900 to 1904, he was assistant cashier of the First National Bank of Pullman, Washington. He then organized and served as cashier for a small state bank in an Idaho town of 250 population located in a lumbering area near Lake Coeur d'Alene. From 1907 to 1910, he was vice-president of the First National Bank of Coeur d'Alene, Idaho. In 1910, he became vice-president of the U. S. National Bank of Salem, Oregon. In 1913, he became a bank examiner in the Oregon State Banking Department, and later in the same year was made Superintendent of Banks; he held this position until 1918, when he joined the staff of the Federal Reserve Bank of San Francisco. He served the Federal Reserve Bank as Assistant Federal Reserve Agent and Chief Bank Examiner and later as Vice-President and Secretary.

Upon his retirement in January 1939, he moved to Salem and later to Vancouver, Washington. While a resident of Salem, he wrote two articles for the *Salem Capital Journal*, recalling banking as it was around the end of the 19th century and the first years of the 20th century; he wrote also of his experiences as a bank examiner and as State Superintendent of Banks in the five years prior to World War I.

In the first of these articles, published July 13, 1953, he recalled his experiences in the State Banking Department in the years following 1913. The second, "Banking Fifty Years Ago—The Bluff that Worked," was published July 14, 1953. The incidents reported here were taken from these two articles, and from conversation with Mr. Sargent.

The only available building, occupied by a restaurant, was to be vacated in a few days. It was about twelve feet wide and twenty-four feet deep, located on the water front between two of the town's four saloons. A suitable lease was arranged in a few days, and a safe and other fixtures obtained. By the time the bank was ready to open for business, a charter had been obtained. As anticipated, rival interests abandoned plans for a competing bank.

The area was heavily timbered, and the economy of the town was based almost entirely on logging. Moreover, much of the logging was being done by the rival timber interests that had also planned to establish a bank in the village. This meant that the new bank faced the antagonism of the dominant business interests of the community.

The opening of the bank came as a surprise to the town. The owner of

The steamer "Georgie Oakes" on Lake Coeur d'Alene.
University of Oregon Library photograph.

the general store, who had been made a director of the bank, was the only person who knew of the plan to open a bank.

The bank began operation with only $3,000 paid in cash of the authorized capital of $10,000. On the opening day, the little town was full of lumberjacks resting after a log drive from the up-river camps; and most of them were drunk. The first applicant for a loan was the town drunk, whose application was refused. The first deposit was made by the merchant director, and the second by the village doctor. These deposits gave Mr. Sargent such confidence in the future of the bank that he risked his own meager savings; the books were closed at the end of the first day with three depositors and total deposits of a little more than $400.

The operation of a small bank at the turn of the century was somewhat more leisurely and informal than would be tolerated today. When the cashier went home for dinner (not lunch) at noon, the bank was closed

An Idaho Mining Town, 1863. Oregon Historical Society photograph.

until he returned. Sometimes, when business was dull in the afternoon, Mr. Sargent would close the bank and go fishing. This practice was discontinued on the pointed suggestion of a bank examiner who unexpectedly arrived in the middle of an afternoon when the bank was closed. After this interference with his recreational activities, Sargent fished off the pier in front of the bank; if a customer appeared, he would lay down his pole and go in and wait on him.

It was his custom to come down to the bank early in the morning to get the cash shipments off on the boat, and to sweep out the bank. If a customer came in before opening time he would be told that the cashier would not be in until the bank opened, at nine o'clock. When the customer came back after nine o'clock he usually said, "So *you* are the cashier." The reply would be "Yes, we had a directors' meeting this morning after you were in, and I was promoted."

The real boss of the town was a shrewd but almost illiterate man who was the proprietor of the livery stable and stage line serving the up-river logging camps. He was also the representative of the rival timber interests that had hoped to establish a bank. His friendship and support were essential to the success of the new bank.

But Thomas[2] became a bitter enemy of the bank, and did everything possible to make operation difficult and unprofitable. The discounting of pay checks was the bank's main source of revenue during the first few months of operation. But the rival timber interests kept Thomas well supplied with funds to cash pay checks without discount; with so few pay checks to cash, the bank profits were barely sufficient to pay rent. Mr. Sargent's salary had to be postponed.

Moreover, many of the bank's checks came into Thomas's possession, and he invariably demanded that they be paid in cash. He always cashed checks in the morning, and shipped the money out on the boat that left at one o'clock in the afternoon. The bank could not replenish its cash until the arrival of the boat the next day at noon. This then developed into a regular routine; the bank shipped cash in daily, and Thomas shipped it out again. Clearly, this was expensive for the little bank. The routine went on for about two months, but at the end of that time Thomas had apparently mellowed. He no longer demanded cash for his checks but was willing to except "exchange," i.e., the bank's check on a correspondent bank. As a result, the bank cut down its cash shipments and maintained only a small reserve in actual cash.

This was merely a sly trick to beguile the bank into believing that the

[2] The name is fictitious.

battle was over, and that it would be safe to carry a smaller cash reserve.

One afternoon just after the daily boat had left, Thomas appeared at the bank with checks totalling more than $3,000. Just why he waited for the boat to leave is not clear. As it turned out, this was a serious error in his machinations since the bank owned the only safe in town—and the town was full of lumberjacks, mostly drunk after a log drive. Thomas had accumulated these checks over several days with the full intention of embarrassing the bank.

Mr. Sargent knew he did not have sufficient funds to pay the checks in cash. An unusual number of persons had cashed pay checks in the bank that day; they had evidently been directed to the bank by Thomas. He said to Thomas as casually as he could manage, "I suppose you want the usual draft?" Thomas replied belligerently, "I want the cash."

Mr. Sargent knew he was in trouble, but there was no choice except to play out the hand. "If you want the cash, I will give it to you, but as you know, there was a payroll in today and I am a little low in cash until boat time tomorrow. So along with the gold, you will have to take silver dollars, halves, quarters, dimes, and nickels." It should be remembered that very little paper currency was in circulation in western states at that time. Thomas's reply was, "That's O.K. with me."

Mr. Sargent went to the safe and took out all the trays and slowly began to stack up the coins in front of the window. He stacked up gold eagles, and double eagles, silver dollars, halves, quarters, dimes, and nickels, being careful to leave a few of the smaller coins in the trays to show that there was still money left. When the count was finished, the pile would have filled a good-sized pail, but it was still about $200 short.

Putting on as bold a face as was possible under the circumstances, he pushed the pile through the window, "Well, here it is, Mr. Thomas, you had better count it." "Wait a minute," said Thomas, "is it all there?" "Sure it's all there, count it," was the reply.

But the bluff had taken the starch out of Thomas and he was no longer belligerent. His reply was, "Hell, it would take me all day to count that much money. You know I got no safe place to keep it overnight in this tough town full of drunk lumberjacks. Kid, if you have it, I don't want it. Just give me a draft."

The antagonism of rival interests was overcome in time and the bank became prosperous enough even to pay Mr. Sargent's salary and have something left over.

MR. BOOTH MEETS THE COMPETITION

banking competition in Grants Pass: if you can't lick 'em, join 'em

The relationship between rival branch banks in small cities is today likely to be reasonably friendly and cordial. The managers and other employees of these banks usually have no more than a small property interest in the institution that employs them. If they do have a property interest, it is in the form of stock in the branch-banking system and not in the particular branch bank in which they work. Moreover, many of these employees expect that during their careers they will be transferred to other branches. As a result, relationships between rival branch banks even in small cities is almost always competitive but cordial.

But a half century or more ago, the relation between rival independent banks in small cities was sometimes bitter and uncompromising. The men who operated these independent banks usually had substantial ownership interests in their institutions and expected that their banking careers would be completed within the bank in which they worked; assistant cashiers, of course, looked forward to becoming cashiers and cashiers hoped to become presidents, but all within the framework of the single, independent bank. All of this sometimes produced bitter feelings and intense competition between rival small-city independent banks.

No doubt the inadequate transportation and communication facilities of the time contributed to the intensity of the competition beween these banks. There was little opportunity for small-city bankers to work together in state or regional trade association activities or even to be associated in local civic undertakings. Indeed, sometimes rival small-city banks became focal points for partisan, factional groups. Another factor, perhaps, was a less mobile population; factionalism is not likely to thrive where the population is highly mobile.


J. C. Campbell, President. H. C. Kinney, Vice President. R. A. Booth, Cashier.

THE FIRST NATIONAL BANK OF SOUTHERN OREGON.

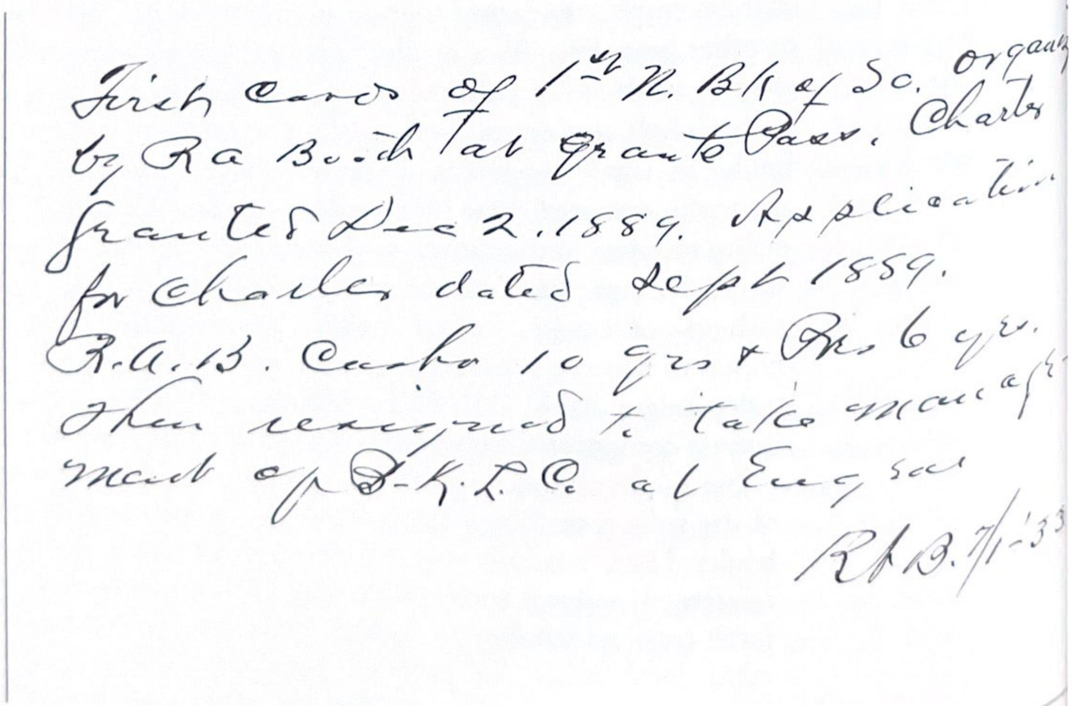
CAPITAL $50.000.00.

STOCK HOLDERS.

HENRY FAILING.
H.W. CORBETT.
C.A.DOLPH.
T.R.SHERIDAN.
E.A.BOALICH.
T.L.JONES.
J.M.JOHN.
J.C.MOSS.
J.A.WILSON.
H.C.KINNEY.
JOSEPH SIMON.
W.E.BROCK.
F.W.VAN DYKE.
J.A.JENNINGS.
ARTHUR CONKLIN.
C.K.CHANSLOR.
J.C.CAMPBELL.
W.F.KREMEY.
H.B.MILLER.
T.P.JUDSON.
R.A.BOOTH.

Collections made at all points in Southren Oregon.

GRANTS PASS, OREGON.


First cards of 1st N. Bk of So. Organized by R A Booth at Grants Pass. Charter granted Dec 2. 1889. Application for charter dated Sept 1889.
R.A.B. Cashr 10 yrs & Pres 6 yrs.
Then resigned to take management of B-K.L.Co. at Eugene

RAB. 7/1-'33

Business card for Mr. Booth's bank, with his notation on the back.

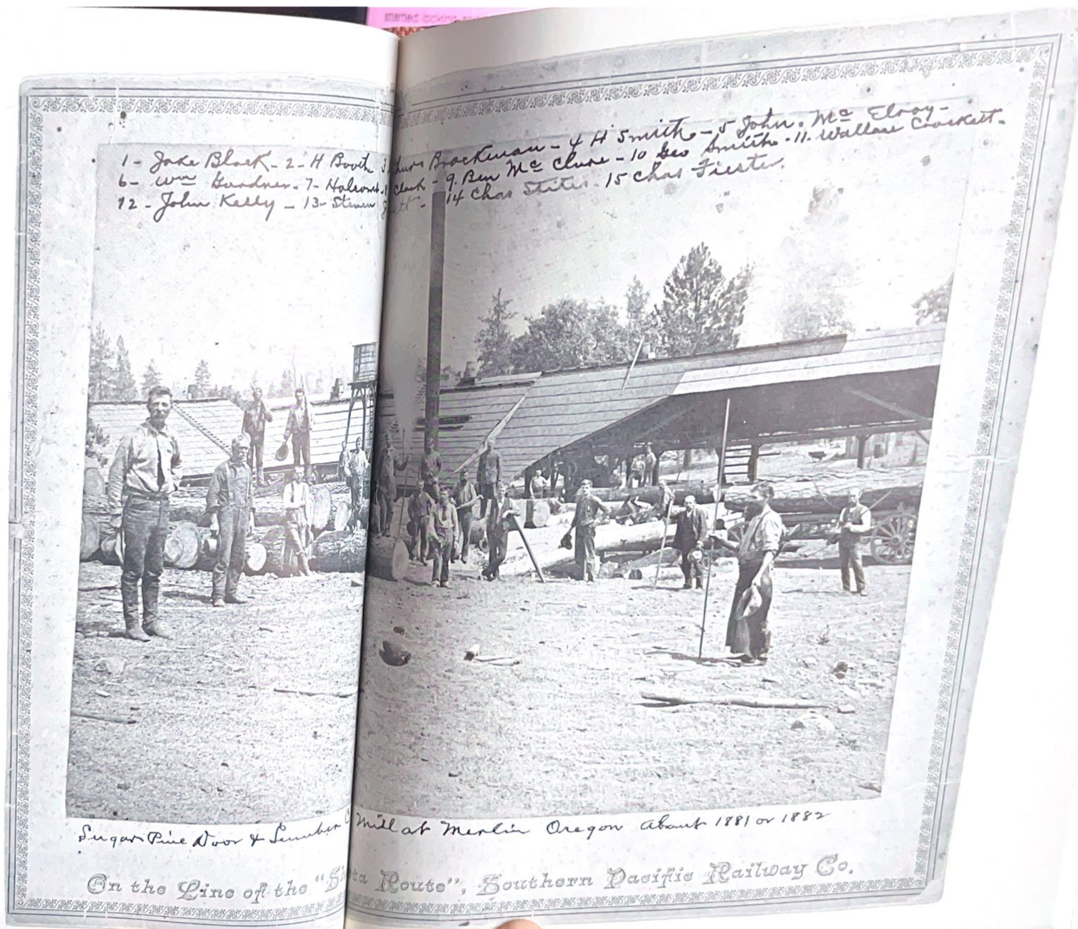
It is quite unlikely that Mr. Booth ever permitted the "principal stockholders" to utilize the bank capital in speculation in real estate ventures.

An excellent view of the competitive relations between small city banks in the late nineteenth and early twentieth centuries is found in the letters of Mr. Robert A. Booth. Mr. Booth organized the First National Bank of Southern Oregon at Grants Pass in 1889. A portion of the capital was supplied by some of the officers and stockholders of the First National Bank of Portland who were probably interested in having a correspondent bank in Southern Oregon. Mr. Booth served as cashier and later as president of the bank for many years, and wrote frequent letters to the Portland stockholders. In these letters, he discussed the problems of the bank and his plans for meeting these problems. He also solicited the counsel and advice of these experienced Portland bankers. Letters from the Portland stockholders to Mr. Booth are also revealing of the problems of small-city banks. These letters addressed to Mr. Booth, as well as copies of Mr. Booth's letters to the Portland stockholders and to many others, have been made available for study by the Booth family.[1]

Mr. Booth's letters for the spring and summer of 1889 indicate that he was planning some sort of business venture. He had in 1888 moved from Drain to Grants Pass, where he had a small interest in and was employed by the Sugar Pine Door and Lumber Company. He was also interested in public affairs, as well as the activities of the Methodist Church. There is no direct mention of plans for the organization of a bank until July, but the letters do quite clearly imply that he had some sort of business venture in mind. He owned, either in his own name or jointly

[1] Robert Asbury Booth (1858-1944) was a distinguished Oregonian whose career touched the fields of education, business, and government. He was principal of the Oregon State Normal School at Drain. He organized the First National Bank of Southern Oregon at Grants Pass, and served as cashier and later as president. He also served as president of the Douglas National Bank of Roseburg. In 1897, he organized the Booth Kelly Lumber Company and was interested in other lumber enterprises. He served in the Oregon legislature, and in later years was a member of the Oregon State Highway Commission, and was chairman of the Commission for three years. He was a trustee of Willamette University for twenty-five years, and received honorary degrees from the College of Puget Sound, Willamette University, and the University of Oregon.

"...the Sugar Pine Door and Lumber Co., of our town, of which I am Secy."
Letters, R. A. Booth, Aug. 21, 1892.



with others, various properties in Drain and Yoncalla and in Spokane. He also held the notes of several persons for varying small amounts. These properties were offered for sale, and vigorous efforts were made to collect the notes. One can surmise that he wished to convert his assets to cash in order to be prepared to undertake a new venture.

On May 3, 1889, he wrote almost identical letters to Allen Lewis, Charles Dodd, and F. S. Akin of Portland, indicating a desire to purchase a typewriter and asking for a recommendation. But he evidently did not wait for replies, for on May 6 he wrote as follows to Miss E. Goodman, care F. S. Akin, Portland:

> Dear Madam:
> I am glad to avail myself of your kind offer named in your favor of 4th inst.
>
> Will you therefore please order shipped to me per W. F. Express: The Remington Writer best adapted to general correspondence and writing . . .
>
> If you will order invoice sent direct to me, I will remit promptly in receipt thereof.
>
> Yours truly,
> R. A. Booth

It would appear that a previous inquiry must have been directed to Miss E. Goodman, for the letter indicates that the communication from her came on May 4. We do not know whether Mr. Booth expected to use the typewriter for his own personal affairs or whether it was intended for use in the bank he planned to organize. Indeed, it is not certain that he did complete the purchase. None of his letters were typed until after 1901, although it is barely possible that Mr. Booth preferred to write his letters in longhand, and used the typewriter only in the bank. Typewriters were not in common use in business at that time, however. The letters of Mr. Henry Failing, president of the First National Bank of Portland, to Mr. Booth were in longhand[2] until about 1900.

It is interesting to speculate concerning the identity and status of "Miss E. Goodman" and her relation to F. S. Akin, from whom Mr. Booth ordered the typewriter. She apparently had a responsible position in this firm at a time when it was most unusual for women to be employed in business. The Portland city directory for 1889 lists a Miss Ettie Goodman as a stenographer in the office of Akin Selling & Company, manufac-

[2] Mr. Failing wrote a fine Spencerian hand.

turers and wholesale dealers in boots and shoes. Mr. F. S. Akin was the senior partner in the firm. But it is not at all clear why this firm happened to be dealing in typewriters.

The subject of the organization of a bank first appears in the letters of Mr. Booth under date of July 25, 1889. On this date, he wrote as follows to Mr. Henry Failing, president of the First National Bank of Portland:

Hon. Henry Failing
Portland, Oregon
My dear sir:
T. R. Sheridan of Roseburgh, H. B. Miller of this place, and others have offered to place some capital under my management in a banking business at this place, and I beg your indulgence for asking if you would take an interest in such an enterprise under circumstances favorable to a fair business.

The business and population of this town are growing quite rapidly, and its future seems better than that of any other town of Southern Oregon south of Roseburgh. The population now is about 1800.

Making lumber and manufacturing it, mining and fruit growing constitute the main business of the country and each of these branches is growing steadily. In these directions and general farming our resources are abundant and will distribute money as to give it as much opportunity and power for development as a like amount of capital can have.

A large per cent of our people are skilled and common laborers, most of whom are prosperous. The capital invested has mostly been earned here.

Many strangers are now looking for investments and no less than three different parties are thinking of or expecting to engage in banking within a few months. None of these have made definite arrangements, and prompt action will be necessary for any one to secure the business at the exclusion of others. I am quite sure that our prominent businessmen would take some interest in stock if desired.

I beg, also, to add that the question of motive power, lights, and water works must soon assume definite shape here and will offer opportunity for good investment.

Of myself, I will say that I am 31 years of age and married. I have spent most of my life in Douglas County engaged for past ten years in general merchandise, lumbering and school teaching. I have spent one year in this county.

I take great pleasure in handing you inclosed letters from Binger Hermann, M. C. and Hon. W. B. Miller, my present employer. Should you desire further references or to correspond further in the matter, I shall be most happy to comply with your wishes, being with great respect.

Yours truly,
R. A. Booth

Mr. Failing was quite obviously impressed with the credentials of Mr. Booth, and was highly favorable to the proposal that interests identified with the First National Bank of Portland acquire an interest in the new bank. He replied to Mr. Booth's letter with what might almost be called "indecent haste." The letter from Mr. Booth was dated July 25, 1889; Mr. Failing's reply was dated July 26, 1889. He must have answered the letter the same day it was received. This haste was understandable. Business was booming all over Oregon in the late 1880s and existing banks were growing rapidly, and many new banks were being established. It is significant that Mr. Failing did not hedge or merely indicate that he might be interested. He pledged himself to take $5,000 of the stock, and expressed the opinion that several of his associates would be willing to subscribe.

It is interesting to note that Mr. Failing's reply was written in longhand on the letterhead of the First National Bank of Portland, and that this letterhead was on ruled paper adapted to pen and ink. Typewriters were apparently not used by the Portland bank. The letter from Mr. Failing to Booth is shown below:

Portland, Oregon July 26, 1889

Mr. R. A. Booth
Grants Pass, Oregon
My dear Sir:

I am in receipt of your letter of yesterday's date, covering letters from Mr. Hermann & Mr. Miller. The latter are highly complimentary to you and all that can be desired on that score.

I am satisfied from what appears in your letter, that there is room for a banking business in your place and that the field will be occupied ere long, and that you have no time to waste if you are going to enter the field. I infer from your letter, though it is not expressly stated, that your idea is to start a corporate bank. That, of course, is the better and more flexible plan. I am not able to judge from what you have written

whether you think the conditions would warrant the establishment of a national bank. I suppose you are aware, the minimum capital of a n. Bank is \$50,000—50% of which must be paid in at once and the residue in payments or not less than 10% each at intervals of not over one month. In order to put a national bank on a paying footing, I think that there should be a fair promise of being able to aggregate deposits of an amount equal to the capital. I would not, of course, expect this to be gathered up at once, but if there was a good reason to suppose that deposits of that amount could be built up within a reasonable time a year or so, it would pay to start a national bank. With a capital of \$50,000 and deposits of same amount, a bank would be on a good paying basis, and under proper management would make good interest, and as deposits increased, the profit would enlarge. It might answer to incorporate under state law with small amount subscribed and paid up, and further stock alloted to stockholders, increasing the paid up capital as the business warranted, but if the conditions justify I would advise a national bank, because I think it would not be long before a national bank would be started in competition, and have the prestige which now more than ever before attaches to a national bank.

I have not taken any interest in banks in places where we had correspondents, or where it would come in competition with established business, and I have always advised parties to distribute stock as far as possible to people in their own locality, among influential and substantial people, and who would either bring their own business, or who would give character and influence to the bank, and influence business at its counter.

I think Mr. Sheridan & Mr. Miller would be desirable associates in a bank. I, of course, know Mr. Miller and in former years knew Mr. Sheridan very well. I will be glad to learn what your views are so to establishing a national bank—meantime I will say that if you and Mr. Miller & Mr. Sheridan think the field warrants a nat'l bank of \$50,000 capital, I will be willing to take at least \$5,000 stock. I have little doubt that Mr. Corbett would take a like amount if desired, and if you wanted more stock taken here I think it might be placed to a moderate extent. I repeat, however, that it would be wise to have good local people interested and scatter some of the stock in small parcels. You will gain the influence of the subscribers; make your people feel that it is *their* bank, and strengthen yourselves against,

and postpone competition. I shall be glad if you will write me what your ideas are as to the capital or if you do not think well of a nat'l bank—or what amt or proportion of stock would be taken probably in your vicinity.

I can furnish you, of course, all the information necessary to preliminary organization of a nat'l bank, and whether you start a national bank or not, I will be glad to give you all the information I can and show you how the mode of carrying on the business, forms, etc.

Yours truly,
Henry Failing

P.S.
Kindly show this to Mr. Miller.

Should you conclude to establish a national bank you ought at once to make application to the Comptroller of the Currency for permission to and cut off any other application for a bank under same name, say First National. The application should be joined in by about 5 persons, and should have the endorsement or recommendation of Mr. Hermann the Member of Congress. The permission granted would be good for 60 days. See memo enclosed.

MEMO

The first step to be taken for the organization of a nat'l bank is to apply to the Comptroller of the Currency for his consent.

Application by letter should specify the title desired, as title must be approved by Comptroller—the locality, capital, names of at least five persons who will be stockholders of the proposed organization, and should also have the favorable endorsement or a letter recommending that it be granted from a member of Congress for the district in which the bank is to be located—together with similar letters from gentlemen of well known character and reputation vouching for the responsibility of the parties and that the proposed bank is likely to be useful to the community.

The Comptroller will then hold the title for 60 days for the organization and send blank forms for organization.

The comment of Mr. Failing concerning the proper relation of deposits and capital is of interest. He considered that in order to be on "a paying footing" there should be some prospect that the deposits would grow to the point where they would equal the capital. This is a far cry from the

present relation of stockholder capital and deposits. The total stockholder capital of all commercial banks is now slightly less than ten per cent of deposits. With the development of new services and the great increase in costs, no bank could operate profitably with a one-to-one relation between deposits and stockholder capital. It is undoubtedly true that changes in the composition of bank assets, the institution of deposit insurance, and the availability of reserve bank credit have served to reduce bank capital requirements. But one can surmise that Henry Failing would not be happy with present capital-deposit ratios; it would be difficult to persuade him that changes in banking structure and methods justify such a reduction in bank capital required in relation to deposits.

Both in Mr. Booth's letter and in Mr. Failing's rather prompt and extended reply, it is possible to detect a note of urgency. Mr. Booth reported that three different groups in Grants Pass were considering the establishment of a bank. The prompt reply of Mr. Failing and his specific directions on procedure indicate that he was aware of the need for prompt action. This is entirely understandable. If Mr. Booth could quickly establish a national bank, these rival groups would probably abandon their efforts. Mr. Failing, of course, knew that business was active in Oregon and that many new banks were being established in the state. There is some evidence that business was especially active in southern Oregon and that there was even a mild real estate boom in the Grants Pass area. Mr. Booth evidently owned some small real estate parcels in Grants Pass jointly with a brother. On May 18, he had written to his brother advising him of real estate developments and suggesting specific asking prices for these real estate properties. He wrote as follows:

May 18, 1889

My Dear Bro.

I stop work a moment to write you about our property here. The townsite has changed hands and is to be boomed. There is to be an excursion of 10 coaches run here from Portland on 31st returning 2nd June. I suppose there will be more or less property change hands at that time and I want your ideas about ours. Here is about what I have in mind (see accompanying sheet) I want you to say what *you* think. Building is commencing in good shape. We should sell here (if we fail in Spokane) in time to make our payments next Dec.

If you are not too busy perhaps you would enjoy a visit about time for excursion.

Yours affectionately,
R. A. Booth

Mr. Failing would not have been unaware of these real-estate developments. He knew also that the Oregon and California Railroad had only recently been completed from Roseburg through Grants Pass to Ashland and that this would continue to be a stimulus to business activity in southern Oregon. But even with due consideration to these factors, Mr. Failing's unqualified acceptance of the proposal by return mail undoubtedly reflects a sense of urgency. Such a conservative and careful banker as Henry Failing would certainly not have acted so promptly and even hastily had he not been impelled by a feeling that haste was essential.

Immediately on receipt of the letter from Failing, Mr. Booth sent what must have been a long telegram to Mr. Failing. This telegram has apparently not survived. But Mr. Failing's reply, which was dated July 30, 1889, makes clear that in this telegram Mr. Booth asked further specific questions about procedure in organizing a national bank, the reserve requirements and the method of taking out "circulation" in the form of national bank notes. Mr. Failing's long reply carefully answered these questions and further noted that he had mailed a copy of *Pratt's Digest,* which included a brief synopsis of the National Bank Act and the procedures in organizing a national bank. There was in Mr. Failing's lengthy letter a small note of irritation. He pointedly reminded the youthful would-be banker that he had previously advised him that the necessary first step was a request to the Comptroller of the Currency to foward the necessary forms and to reserve the name selected for the bank for a period of sixty days. He was quite evidently unhappy because this initial step had not been taken. In modern slang, he seemed to be mildly advising Mr. Booth to "get with it."

After some further correspondence and exchange of telegrams, Mr. Booth prepared an application to the Comptroller for permission to establish a national bank under the name of The Rogue River National Bank of Grants Pass. This application, together with appropriate letters of recommendation, he forwarded to Mr. Failing for his approval, with the request that if approved the papers be forwarded to Washington.

Mr. Booth further reported that the potential competition he had feared had been overcome. He reported that ". . . several have been here to organize a bank since we concluded to make application, but each has turned away as we had acted promptly and had the hearty support of the community."

The application to the Comptroller was a short letter signed by six Grants Pass men, but not by Mr. Sheridan of Roseburg or the Portland interests. The letter follows:

Grants Pass, Oregon
August 17, 1889

The Comptroller of the Currency
Washington, D. C.
Dear Sir: The undersigned, resident citizens of the place above named, hereby ask permission to organize a National Bank with a capital of ($50,000) fifty thousands dollars, under the title of Rogue River National Bank of Grants Pass, to be located at Grants Pass, Josephine County, Oregon. We refer you to indorsements herewith from Binger Hermann, member of Congress from the district, Robert McLean, Presidential Elector 1888, George W. Colvig, Railroad Commission Elect this state.

Yours very Respectfully,
H. B. Miller
R. A. Booth
W. F. Kremer
T. P. Judson
Jas. L. Scott
J. C. Campbell

In the weeks following the sending of this preliminary application, the youthful Mr. Booth was more than usually busy. On him fell the responsibility for securing the necessary subscriptions and allocating the stock, as well as making plans for suitable quarters and other necessary preliminary details.

Who would be named president of the bank was one problem that concerned him. He would be the cashier and the only paid employee, but the president should be an older man with a widely-known name which would command the confidence of the community. Mr. Booth wrote Mr. Failing suggesting that the Portland banker consent to be named president. Mr. Failing promptly declined; Mr. Booth immediately countered by asking Mr. Failing to prevail on one of the other Portland subscribers (Mr. Corbett and Mr. Dolph) to accept the office. Mr. Failing was firm in his insistence that all officers of the bank be local people. In due course, Mr. J. C. Campbell, merchant and mayor of Grants Pass, was named president. Directors were H. B. Miller, T. P. Judson, J. C. Campbell, A. F. Kremer, E. A. Burdick, H. C. Kinney, and R. A. Booth.

The application had asked for the title Rogue River National Bank of Grants Pass. After the application was filed, however, the promoters had second thoughts and wished to utilize some variant of "First National

Bank;" accordingly, on October 15, 1889, a letter was sent to the Comptroller asking him to change the title to "First National Bank of Southern Oregon at Grants Pass." This request was promptly granted. This was a great surprise to Henry Failing who had doubted that the title change would be approved. He wrote (in part) to Mr. Booth on November 6: "I understand by your letter that the Comptroller approved the name of the 'First National Bank of Southern Oregon.' I had my doubts that he would approve such a title, but I am very much gratified if the new title is approved." Quite probably Mr. Failing was surprised by the approval of the bank title because he remembered that when the First National Bank of Portland was established in 1865 the incorporators had requested the title First National Bank of Oregon. This title was rejected by the Comptroller, presumably because it purported to encompass an area broader than would be the operating area of the bank. This bank would not succeed in changing its title to First National Bank of Oregon until nearly a century after incorporation. It is small wonder that Mr. Failing was surprised that the Comptroller allowed a small bank in Grants Pass to adopt the title of First National Bank of Southern Oregon.

In addition to ordering supplies, establishing correspondent relations with banks in San Francisco (Crocker-Woolworth National) and in New York (Chemical National), Mr. Booth was concerned with the matter of his own salary. He solicited the advice of Mr. Failing and others. The record does not show that any suggestions were received, nor does the record indicate what salary was finally fixed for him. Also, during this preorganization period he had to deal with a quite pressing personal problem. He had subscribed for $5,000 of the bank capital for what he considered to be good reasons, but he lacked the funds to pay the subscription. In a letter to Mr. Sol Abraham of Roseburg, dated September 10, 1889, he mentioned this pressing problem. He wrote, in part:

> Another matter is this. I have subscribed $5000 to the stock. To pay this up, as will have to be done in payments of 50% on commencement and 10% per month hereafter for 5 months, will take more than I am worth. I have only money enough for the first payment and will have to rely on help from the bank for subsequent payments. This will be quite a burden of debt—enough to prevent me from much dealing in any other direction. Why I thought of taking this (to me) large amount was that I might not be able to secure it later and also to give me more prominence in the bank and generally outside as well . . . .

> . . . I will add that it seems like a crisis to me, where I scarcely know what to do. How natural that under such circumstances we should seek our friends . . . What do you think is best for me? Would it be wise for me to rely upon anything from our Spokane interest by the first of the year? . . . If in the meantime you can spare time to give me advice it will be duly appreciated.
>
> Yours very truly,
> R. A. Booth

The record does not indicate how Mr. Booth met this pressing financial problem. It is doubtful if he borrowed the money from the bank; loans to officers or directors were not absolutely prohibited in the National Bank Act, but they were somewhat limited and circumscribed. Specifically, loans on the security of the bank's own stock were prohibited. Perhaps he was successful in liquidating some of his real estate interests or in borrowing from sources other than the new bank. Though we do not know how it was accomplished, it is clear that he did somehow manage to pay the subscription.

The youthful Mr. Booth had some quite unconservative and unbankerlike ideas concerning the use of bank resources by officers and directors. These must have given the conservative banker Henry Failing some occasion for concern. But Mr. Failing evidently was convinced that the young Grants Pass bank promoter was essentially sound and could be brought to understand and follow conservative banking principles. During the preliminary negotiations under date of July 30, 1889, Mr. Booth wrote Failing in part:

> There are several lots of land in and adjoining town that are for sale. Lands that would materially increase in value at each stop of advancement that our town may take. The owners of these particular tracts render us no assistance in any enterprise. Now, if we could, with the capital not needed in the bank, buy these lands, get control of the water works, power and light that is now talked of, and for which several offers are now before our City Council, we might get some splendid stock and get the increase in value of these lands which would be about 100% as they are listed for now.
>
> This business could largely be conducted by the force employed in the bank and the general expense reduced to the minimum. This idea I have elaborated to Mr. Miller and a few others, and it meets their hearty approval . . . .

These suggestions must have upset Mr. Failing and the Portland banker replied almost immediately. Under date of August 1, 1889, he succinctly advised Mr. Booth that:

> I will only say that any investment of national bank capital in real estate other than a banking house would be contrary to the provisions of law—and I think contrary to the sound rules of any form of banking. This I can better explain personally, but it is sufficient to say that a national bank could not legally make investments of this character.
>
> Yours hastily,
> Henry Failing

This short and pointed and almost instant reply must have convinced the young Mr. Booth that he had indeed put his foot in his mouth. Since the support of Mr. Failing and his associates was essential to the success of the new bank, he undertook to repair the damage and under date of August 3, 1889, he wrote the Portland banker as follows:

> Hon. Henry Failing
> Portland
> Dear Sir:
> Your favor of 1st just to hand this A.M. . . . .
> Concerning the investments spoken of in my former letter, it was not with the expectation that the bank directly would handle these enterprises, but that some of the principal stockholders might associate themselves in such a way as to utilize some capital that might be taken from the bank on loan with advantage to the bank and profit of investors. Of course, this can be decided upon at some future time. At this writing there are no points that need mention, not covered by former letters. Should any arise I will promptly write you.
>
> Yours very truly,
> R. A. Booth

The explanation that he had not meant to propose that the bank use its capital in real estate speculation but only that "the principal stockholders" might borrow bank funds for use in real estate ventures could not have been reassuring to Mr. Failing. But he did not pursue the matter. Perhaps he concluded that the youthful Mr. Booth had merely displayed his unfamiliarity with banking regulations and traditions, but that he could be guided; and once he came to have more understanding of bank operation he would abandon such unsound ideas.

It is quite unlikely that Mr. Booth ever permitted the "principal stockholders" to utilize the bank capital in speculation in real estate ventures. The great business decline of the 1890s substantially depressed real estate values, and if the bank's resources had been employed in such speculative ventures losses would have been unavoidable. But the surplus and undivided profits of the new bank increased slowly and steadily through the depression years. Experience and responsibility, and perhaps the counsel and advice of the Portland associates, evidently made a conservative banker of Mr. Booth.

The new bank did not begin operation until December of 1889; the date of the charter was December 2, 1889. The financial statements of the bank shown in the reports of the Comptroller of the Currency show increases in both deposits and capital through the depression years, with only a relatively slight interruption in 1893. This record is in sharp contrast with that of other western banks. In McMinnville, Jacob Wortman's First National Bank lost approximately three-fourths of its deposits; in Walla Walla, Levi Ankeny's First National Bank had to contend with a decline in deposits of more than 60 per cent.

The principal financial statement items of the First National Bank of Southern Oregon from its first report in 1890 through 1908 are shown in the table below:

Statement date	*Deposits*	*Capital*	*Surplus and Undivided profits*	*Loans*	*Total assets*
Oct. 2, 1890	39,721	50,000	3,755	68,344	104,726
Sept. 25, 1891	59,066	50,000	9,663	76,029	129,980
Sept. 30, 1892	78,448	50,000	15,226	88,849	154,424
Oct. 3, 1893	57,083	50,000	16,542	70,572	134,875
Oct. 2, 1894	89,936	50,000	16,844	94,443	168,030
Sept. 28, 1895	88,861	50,000	17,151	98,946	166,433
Oct. 6, 1896	87,802	50,000	19,021	98,969	168,072
Oct. 5, 1897	116,763	50,000	13,329	97,466	196,341
Sept. 20, 1898	100,320	50,000	14,527	92,835	175,455
Sept. 7, 1899	166,288	50,000	14,825	106,687	242,362
Sept. 5, 1900	168,188	50,000	19,293	145,553	247,229
Sept. 30, 1901	142,535	50,000	22,353	143,736	227,395
Sept. 15, 1902	235,163	50,000	13,104	184,282	310,269
Sept. 9, 1903	244,360	50,000	17,812	191,396	324,073
Sept. 6, 1904	245,396	50,000	22,403	182,755	330,300
Aug. 28, 1905	258,867	50,000	26,177	226,790	346,944
Sept. 4, 1906	313,322	50,000	28,849	267,795	404,477
Aug. 22, 1907	416,196	50,000	34,704	281,279	514,779
Sept. 23, 1908	417,129	50,000	41,498	278,999	526,817

The record of the First National Bank of Southern Oregon in the long depression of the 1890s and in the brief money panic in late 1907 and early 1908 is quite remarkable. There was a relatively modest decline in deposits in 1893, but loans decreased in a smaller amount and undivided profits actually increased in this panic year. Indeed, undivided profits increased at a healthy rate every year until 1897. The reduction of surplus in 1902 was a result of a special dividend paid in connection with an extraordinary competitive situation. Bank expenses were kept low by sharing employees with the Sugar Pine Door and Lumber Company in which Mr. Booth had an interest. This economy measure was made easy by the fact that the store and office of the lumber company was across the street from the bank. Mr. A. C. Dixon of Eugene, who was assistant cashier of the bank, recalled that he was also bookkeeper for the lumber company.

Competition or potential competition was a matter that frequently attracted the interest of officers and directors. There was at least one other group attempting to organize a bank in the spring and summer of 1889. For this reason, there was an element of urgency in the organization of the First National of Southern Oregon. As had been anticipated when completion of organization of this bank became assured, these other groups abandoned efforts to organize banks. It is possible that Mr. Booth and his group may have discouraged some of these rivals by taking over some of their members. Mr. T. P. Judson was evidently a member of one of these rival groups. In a letter to Mr. Henry Failing, Mr. Booth wrote:

> So far as I have yet learned our business men will aid by subscription to national bank stock, except T. P. Judson, who wants to manage any banking enterprise that may be undertaken. He is trying hard to get connections that will enable him to operate. He will not join in a national bank, but can get no assistance here to aid anything of the kind which he would manage.

But when the organization of the First National Bank of Southern Oregon was completed, Mr. Judson appears as one of the incorporators. He evidently followed the ancient political adage, "if you can't lick 'em—join 'em."

A letter dated October 18, 1893, from Henry Failing to Booth excites curiosity, but this curiosity cannot be satisfied from the available records. Evidently Mr. Booth felt the need for the services of a detective and had written to Mr. Failing concerning the matter. Why he needed the services of a detective is unknown, because there seems to be no available copy of

Mr. Booth's letter to Failing. We do not know whether these services had to do with the business of the bank or with Mr. Booth's other interests. Mr. Failing's letter follows:

Portland, Oregon, 18 October 1893

R. A. Booth Esq.
Grants Pass, Oregon
Dear Sir:
The train did not arrive until this P.M. and I could not therefor see the manager of the agency until 4 o'clock. The Pinkertons cannot find a suitable man today but one will arrive this evening who is suitable to the work. The charge is $8 per day and expenses—the manager says expenses would probably not be over $1.50 or $2.00 at the utmost, and there will be some necessary expenses which will be small as the man will have to spend some little among the men with whom he mingles. He thinks the expense will not be over $11.00 per day in any event, and the man can be called off at any time. I thought it better to write you than to telegraph, as this should reach you in the morning. Please telegraph me "Yes" if you wish the man to start tomorrow, and I will see that he gets off tomorrow evening.

Yours truly,
Henry Failing

As Grants Pass and Southern Oregon grew, it was inevitable that competition would appear. Small-city bank competition was sometimes merely a reflection of bank competition in the metropolitan centers, and this turned out to be true in Grants Pass. The First National Bank of Southern Oregon was something of a banking satellite of the First National Bank of Portland. True, there was no corporate connection between the two banks, but the Failing-Corbett-Dolph interests associated with the Portland First National Bank owned about a 30 per cent interest[3] and this was sufficient to insure a continued correspondent relationship with the First National of Southern Oregon. If a competing Portland bank wished to have a correspondent in Grants Pass, it would have to somehow see to it that a competing bank was established in Grants Pass. This was how the competing bank in Grants Pass came to be established. Interests identi-

[3] The exact stock holding cannot be fully documented, but the correspondence at the time of the sale of the bank in 1906 indicates that the Failing Estate, Mr. Corbett, and Mr. Dolph each owned $5,000 of the stock.

fied with the Merchants National Bank of Portland[4] joined a local group in the establishment of the Grants Pass Banking and Trust Company.

Some years later, Mr. Booth summarized the problem of bank competition in Grants Pass[5] in a letter to W. C. Alvord of the Portland First National Bank as follows:

> The Railroad divides Grants Pass into two sections, or two parts, rather. There has always been a vigorous rivalry between the two sides that has been carried into business channels and sometimes has been destructive and often very hurtful. The First National Bank is located on the north side of the track. During the whole of the time that I was behind the counter there was more or less prejudice against the bank from those located on the south side. At three different times bank organizations were formed, but we were successful in preventing their starting and felt justified in efforts looking to that end because the town was then small and would not have been any better taken care of by two than by one bank.

The first successful effort to establish a competitive bank came in 1901 and evidently was successful only because of the support of Mr. J. Frank Watson, president of the Merchants National Bank of Portland. Although this new bank was established as an independent entity, it remained independent for only a brief period; within a short time, control of the stock of the new Grants Pass Banking and Trust Company was acquired by the stockholders of the First National Bank of Southern Oregon. It is interesting to trace how this control of the new bank was acquired by Mr. Booth and associated stockholders and how the unity of the majority group was maintained. It is also interesting to note that ownership of slightly over 50 per cent of the stock of the Grants Pass Banking and Trust Company by the stockholders of the older bank did not serve to eliminate competition between the two banks. In theory perhaps, the majority could have elected the entire board of directors of the new bank. The new board could then have named officers who would manage the institution entirely noncompetitively. But the real world is not that simple; Mr. Booth and his associates had to deal with a strong minority group headed by Mr.

[4] The Merchants National Bank was absorbed by the Northwestern National Bank on Jan. 11, 1916. In Mar. 1927, the Northwestern National Bank was compelled to suspend, and its deposits were assumed by the United States National Bank of Portland and the First National Bank of Portland.

[5] Booth to Alvord, May 15, 1906.

Jewell, the cashier of the Grants Pass Banking and Trust Company, who threatened to break away and organize a third bank. Mr. Watson, president of the Merchants National of Portland, who was also president of the new Grants Pass bank, was probably content to have the bank dominated by the First National of Southern Oregon group. He wanted a southern Oregon correspondent for his Portland bank, and he also wanted his modest investment to be productive. Neither of these objectives were jeopardized by the control by Mr. Booth and his associates. However, Mr. Watson was not involved in the day-to-day operation of the new bank. In spite of control of the majority of the stock, Mr. Booth could not control the strong minority because, for policy reasons, a completely new management could not be installed.

The problem of the competition of the new bank was first discussed by Mr. Booth on April 4, 1901, in a long letter to Mr. C. A. Dolph. He wrote, in part, as follows:

> My Dear Mr. Dolph:
> Some days ago I called on you in reference to the sale of a few shares of stock . . . in the First National Bank of Southern Oregon.[6] The purpose . . . was a little wider distribution at home . . . for preventing a complete organization of another banking concern for Grants Pass. . . . I have just advices from the Pass that the organization which was apparently killed has taken a new life. This, I am informed, has been brought about by the interesting Mr. J. Frank Watson, President of the Merchants National. I am advised that he has just been to the Pass in consultation with Mr. L. L. Jewell, who is the leading spirit of the new organization, and that Mr. Watson has been elected President of their institution. . . .
>
> Speaking my own mind without consulting any of the other shareholders, I would prefer selling our banking interests to Mr. Watson and his associates, if they are determined to put a bank in, rather than to continue with two banks there. This I think you will understand is not, in any sense, a fear that comes from general competition, for I have had to meet it in other lines all my life. It is simply because I feel that the money we have in the bank can be better invested than if it has to meet the class of competition that will come from a bank to be conducted by Mr. Jewell. He has gone to our best customers,

[6] A shorter letter on the same subject was addressed to Mr. Corbett on the same date.

soliciting their business in a way that I think wholly unwise for a banker to do and making them propositions that are altogether unbusinesslike.

It must be borne in mind that the town of Grants Pass is divided by the railroad track, the greater number of business houses being on the south side opposite where we are located. The only demand that comes for a bank in Grants Pass is purely sectional or partisan, as there has been in times past a great rivalry between the two sides. It is this feeling that Mr. Jewell has been reviving and upon which he will make a plea for support. It will be effective in a way.

It is my opinion that Mr. Jewell will never become a successful banker, yet the organization will be there and probably taken up by someone else. . . . I suggested to some of our people the plan of organizing a bank to be conducted on the opposite side of the track from where we are located and giving each of our present shareholders a chance to subscribe. . . .

Mr. Kinney, Mr. Fry and Mr. Campbell, three of our directors, have agreed to take stock in the new enterprise and a few other gentlemen in the Pass have done the same and have signed an article to make such subscription. . . .

Now, as to the point that I desire to make in this connection if Mr. Watson could see it more to his interests to withdraw from the organization with Mr. Jewell, we might offer him the facilities that he desires by making his bank our Portland correspondent, or giving him the opportunity for subscribing for the stock along with the rest of us. I believe that such organization can be run much more economically than those of a rival disposition and the net profits be correspondingly greater.

Now a word as to Mr. Jewell, who has been connected with different enterprises during his stay in the Pass. First, he was in the furniture business, conducted it a short time, sold out and went east; he returned after a time, entered the hardware business,[7] which in turn he sold, and is now practically out of business. Mr. Jewell, for a man of limited means, is a typical plunger, especially in mining interests and is constantly speculating and investing in mines. He does

[7] In addition to his merchandising interests, Mr. Jewell was the leading gold buyer in Grants Pass. Since gold buying was usually regarded as a banking function and often an important source of bank earnings, Mr. Jewell's interest in establishing a bank is understandable.

> not enjoy the confidence of the general business community of Josephine County. These statements I make without any qualification whatever, and not because there is a probability of him becoming a rival of our bank but thinking possibly that the knowledge of the condition, if known to Mr. Watson, might cause him to act different from what I am advised is the plan that he is now pursuing. . . .
>
> It might be that you have some avenue of approach to Mr. Watson that I do not possess.

This effort to block the organization of the new bank by setting up a satellite bank to be located on the south side of the railroad tracks failed. Evidently Mr. Watson and his Merchants National Bank did not buy the idea that such a bank so strongly influenced by the rival First National of Portland would be a suitable correspondent bank in Grants Pass.

But Mr. Booth was resourceful, and he had not surrendered. He was convinced that two competing banks in Grants Pass would be uneconomic and might ultimately impair the ability of the institutions to serve the community. He considered, however, that perhaps two banks could be operated with reasonable economy and efficiency if they were controlled by a single interest.

In less than a year after the establishment of the new Grants Pass Banking and Trust Company, an opportunity came to Mr. Booth to acquire slightly more than half of the stock of the new institution. The record does not show the source of this stock. Perhaps it was a disgruntled stockholder, or perhaps some stockholders of the new bank found themselves in need of funds. Neither is it clear whether Mr. Booth secured binding options to buy this stock, or whether perhaps he even entered into a contract to buy it. There is even a possibility that this stock may have been purchased directly by the First National Bank of Southern Oregon, although this would have been contrary to law. In a letter to Mr. H. W. Corbett, dated December 30, 1901, he refers to the "subscription to the stock of the Grants Pass Banking and Trust Company *that we have purchased*."[8] This letter then went on to suggest that the stock be purchased by the First National Bank of Southern Oregon because so few shareholders were willing to take the stock. A portion of this letter follows:

> The same opportunity was given to all our shareholders as was given to you, but very few of them have manifested a willingness to

[8] Italics supplied.

> subscribe. I would, therefore, suggest that $30,000 to $35,000 of this stock be purchased by the First National Bank of Southern Oregon, to be paid for from the undivided profits, of which we have a sufficient amount (not including our surplus) the remaining $5000 or $10,000 we may get could then be taken by some of our heaviest shareholders, and some placed to good advantage with some of the businessmen of Grants Pass.
>
> If you think the Comptroller would object to us holding the stock, we could withdraw the unidivided profits for the purpose indicated and not carry the stock of the new bank on our books.

Mr. Corbett replied almost immediately that banking regulations would prevent the First National Bank of Southern Oregon from holding the stock of the new bank. He suggested that the stock be purchased and charged to the undivided profits account. He pointed out, however, that in this event it would be necessary to secure the written consent of the stockholders to the application of the special dividend to the purchase of the stock of the new bank.

The Grants Pass Banking and Trust Company had $50,000 capital stock outstanding but only 50 per cent of this capital had been paid in. The First National of Southern Oregon purchased half of this stock for a total price of $12,910 which represented a premium of $410 over the book value of $12,500.[9] The necessary stockholder consents were obtained and Mr. Booth was elected as trustee to hold the stock for the benefit of the stockholders of the First National Bank. In order to insure absolute control, three of the stockholders of the First National, including Mr. Booth, purchased a few shares each of the new bank.

Shortly after control was acquired, the capital of the new bank was reduced to $25,000 to correspond to the capital actually paid in. The directorate of the new bank was made up of three from the First National group and four from the Grants Pass Banking and Trust Company. Mr. Watson of the Portland Merchants National was one of the latter group.

Although the controlling group did not use its power to dominate the board of directors, Mr. Booth reported that he had an understanding with Mr. Watson as to the management of the bank.[10] Rather surprisingly, he also reported that the First National had secured control of the new bank "partly through his aid." Evidently Mr. Watson preferred the co-

[9] Letter, Booth to Corbett, Feb. 4, 1902.
[10] Letter, Booth to Alvord (Trustee of the Failing Estate) May 15, 1906.

operation of the established bank rather than its opposition. Mr. Booth became a vice-president of the new bank and "became active in formulating policy for the bank."

But the two banks were on different sides of the railroad track, and in Grants Pass at the turn of the century this meant that they represented conflicting business groups. This extreme competitive spirit would not be stifled merely because the First National group had more than 50 per cent of stock of the new bank.

In theory, the new controlling interest might have discharged the old officers and installed a completely new management. But Mr. Booth was wise enough to understand that such action would only serve to intensify the bitterness and might well lead to organization of a third bank. Mr. Booth believed that the acquisition of control of the new bank by his group met with the approval of the community. He reported:[11]

> I think the purchase of the controlling interest in the Grants Pass Banking and Trust Company, which is now generally known in Southern Oregon, has given us a very decided prestige, even with the people who were anxious to have the second bank started.

But this community attitude undoubtedly would have changed if drastic management changes had been attempted. Mr. Booth and his associates were in the unenviable position of having undisputed control but not being in a position to firmly and resolutely utilize that control. The relations between the two groups must have resembled an armed truce. Some years later Mr. Booth reported[12] on the difficulties the "controlling" group had with the management of the new bank:

> . . . It scattered its stock among the business men and also among the farmers. They paid 4% interest on deposits; they gave "exchange" free. After they had been in business . . . we succeeded in buying 50% of their stock.
>
> I was elected Vice President. I have been active in formulating policy and have done my utmost to keep them in harmony. I have made repeated trips there on account of friction that developed, and have always succeeded in getting things smoothed out.
>
> A year ago, without notice, a resolution was passed by the Grants

[11] Booth to Dolph, Jan. 9, 1902.
[12] Booth to Alvord, May 15, 1906.

Pass Banking and Trust Company to increase their capital to $50,000 and to sell the stock to persons named by a committee that had been appointed. The plan was that this should not be offered to the shareholders pro rata and thus cause the First National to lose control of the organization. I was attending the Legislature at the time though was represented by proxy. I wired my protest against the action and told them that if they attempted it I would seek to enjoin them. The matter was delayed for a few days and I found some irregularities, and eventually smoothed out the wrinkles.

Because of the pressure of other business Mr. Booth resigned as cashier in 1900, and was elected as president of the bank. The president was concerned only with general policy and not with the day-to-day operation of the institution. In 1901, he moved to Eugene where he became active in the organization and operation of the Booth Kelly Lumber Company. As indicated in the above letter, he found it necessary to make "repeated trips" to "The Pass to smooth out the wrinkles." Evidently he finally became weary of what must have been a thankless task and when an opportunity presented itself, arranged for the sale of the controlling interest in the First National Bank of Southern Oregon, together with the indirect controlling interest in the Grants Pass Banking and Trust Company.

The sale was made only with the knowledge and acquiescence of the Portland associates. The Portland stockholders who were still associated with the First National Bank of Portland elected to sell only half of their stock, probably because they wished to insure the maintenance of a correspondent relation with the Grants Pass bank.

The investment in the stock of the First National Bank of Southern Oregon had indeed proved to be fortunate. From organization in 1889 through 1902, the bank had paid twenty-two cash dividends of 4 per cent each;[13] without doubt, dividends were paid from 1902 until the date of sale. The stock was sold for $195 per share, made up as follows: "Sale price per share 1st Nat'l Bank, $150; dividend on same, 109, $10.00; from sale of G.P.B.&T. Co. stock at $125 per share, being 25% of holding in 1st Nat'l Bank, held in trust by R. A. Booth, $31.25; dividend on same at 15%, $3.75."[14]

Mr. Booth was now engaged in somewhat larger affairs and did not wish to be concerned with repeated efforts to "smooth out the wrinkles."

[13] Booth to Corbett, Oct. 31, 1902.
[14] Booth to Dolph, May 19, 1906.

But it was clear to him that a redistribution of bank stock in Grants Pass was necessary in order to prevent a still further deterioration in the competitive situation in Grants Pass. He reported to C. A. Dolph:[15]

> I am satisfied there is no use to try to keep the two banks in harmony; neither can we prevent the completion of the organization of a third, except by the distribution of some of the stock of the present banks and some re-adjustment which has been arranged for.

It was undoubtedly true that the two banks "could not be kept in harmony" even by Mr. Booth. What is remarkable about this is that as voting trustee he had absolute, although narrow, control of both banks; but he could not utilize that control in any really effective way because to do so would have resulted in the establishment of a third competing bank.

As a matter of fact, even the redistribution of the stock of the two banks did not long delay the establishment of a third bank. On August 23, 1910, the Josephine County bank was established, and in the years following all three Grants Pass banks grew and prospered. But there was a sharp business decline following the first world war, and on December 30, 1920, the two state-chartered banks were merged under the name Grants Pass and Josephine County Bank.

The banking structure of Grants Pass proved to be sound and did not break down in the difficult years following 1929. Neither bank closed, although both lost their corporate identity and became branches of the two large Oregon branch-banking systems. On October 13, 1936, the Grants Pass and Josephine County Bank began voluntary liquidation. To this end, the United States National Bank of Portland assumed the deposit liabilities and sufficient assets were transferred to the Portland bank to cover these liabilities. The balance of the assets were then liquidated for the benefit of stockholders. The Grants Pass and Josephine County Bank then became the Grants Pass branch of the United States National of Portland.

The First National Bank of Southern Oregon did not remain independent much longer. In February 1937, its stock was acquired by the First National Bank of Portland, and Mr. Booth's pioneer bank became the Grants Pass branch of the Portland First National. If Henry Failing had been watching from some bankers' Valhalla, he would have approved.

[15] Booth to Dolph, May 19, 1906.

THE DEAD MAN IN THE VAULT

customer service "above and beyond the call of duty"

In Oregon, as in other states, many banks were established as strictly family enterprises. In most of these cases, however, family participation diminished as the years went by. Sons and grandsons of the founder developed other interests, and ownership of the bank passed into other hands. In some instances, family control was either greatly diluted or lost when family interests became unable or unwilling to supply needed additional capital and it was necessary to bring in outside interests. The growth of branch banking in recent decades, together with increasing bank capital requirements, have served to accelerate the demise of the family-controlled unit bank. Business expansion and inflation have brought an almost continuous increase in deposits, and expanding the capital to keep pace with deposit growth has sometimes been difficult for the closely-held, independent, unit bank. Bank earnings may be carried to surplus rather than paid out in dividends, but this is sometimes not convenient or desirable; then, too, capital requirements during some periods expanded so rapidly that they could not be met from earnings even if no dividends were paid. For these and other reasons, the family-controlled unit bank has almost ceased to exist.

Perhaps the last family-controlled bank in Oregon is the First National Bank of McMinnville. This pioneer Oregon bank is largely owned and operated by the grandchildren and great-grandchildren of the founder Jacob Wortman. This continued independence is a product of a firm determination to remain independent, coupled with the fortunate circumstance that members of the family have demonstrated an interest in and capacity for the business of banking. Mr. Frank Wortman, a grandson of the founder, is the active president of the bank. Another grandson, Mr.

Ralph Wortman, is vice-president. Each of these men started to work in the bank in 1902 and, although now in their eighties, the brothers remain active in the administration of the bank.

The Wortman family came from Holland to New Amsterdam sometime before 1664 when that city was taken over by the English. The Wortmans were included among those Dutch families who migrated to Canada in protest. Jacob Wortman was born in Canada, but was brought to the United States by his family as a small boy.

In 1852, Jacob Wortman, with his wife Eliza and year-old baby John joined one of the numerous wagon trains bound for Oregon. The party arrived in Oregon in the fall of 1852 along with many other wagon trains of the "Great Migration" of that year. Jacob Wortman did not, of course, immediately set out to organize a bank. Indeed, the idea probably did not occur to him; he had little capital and no banking experience, and, in addition, had little acquaintance in the new Territory. More than thirty years would elapse before Jacob Wortman became a banker.

For some ten years he was a steamboat man on the upper Willamette. He then became the proprietor of a store in Oregon City, although he had had no previous experience in this business. After the sale of this enterprise in 1866, he established stores in Junction City and Monroe in the upper Willamette Valley. These ventures were evidently prosperous, and the growing Wortman family was both hard-working and thrifty. The two stores were sold in 1882 for $50,000. This was an enormous sum of money for that time, and the sale provided the family an occasion for stock-taking and planning for the future. There were four grown boys—John, Frank, Jacob Jr., and Chris. Since Frank and Jacob were interested in a scientific career, each was allotted $5,000 to complete his education. But John and Chris had decided that they wanted to establish a bank. Neither of the boys had any experience in banking and had had almost no opportunity to even know what a bank looked like.

There is no evidence that Jacob Wortman had any particular enthusiasm for the banking business. He was at this time 56 years of age, and he could hardly be expected to be especially anxious to undertake a major venture in such an unfamiliar business. The long depression of the 1870s had ended only a few years before, and during this time there were many bank failures. Jacob Wortman must have known of these failures.

But he was not deterred by lack of banking experience or by the absence of personal enthusiasm for banking, or even by consideration of the record of bank failures. He had confidence in his boys, and if they wished to organize a bank he was willing to supply the necessary capital. It was

his decision that $30,000 of the family funds be set aside for the capital of a bank.

Then the boys were confronted with the problem of locating the bank. After some consultation, they decided that LaFayette, then the county seat of Yamhill County, might be an appropriate site for the new bank. Accordingly, the two boys drove to LaFayette for a further investigation. To their surprise, the business men of the town were entirely lacking in enthusiasm over the prospect of a bank. Indeed, it appeared that some of the well-to-do citizens were even hostile to the idea of a bank. The boys believed that this hostility was related to the fear that the organization of a bank might make less profitable the purchase of county warrants, then called "County Script" by well-to-do business men. It was then the custom for the county to pay its bills (including salaries) with these warrants, which were endorsed "not paid for want of funds." Warrants so endorsed drew interest at the rate of 6 per cent per annum and were redeemed in numerical order from future tax collections. Local investors purchased these warrants from county employees and others at substantial discounts, and they evidently realized that the existence of a bank might provide unwelcome competition in this lucrative business.

The boys then reluctantly concluded that it would not be wise to attempt to organize a bank in this hostile environment. They harnessed their team to the buggy and set out for home.[1]

When they were only a little way out of LaFayette, they met a hack-load of men from McMinnville who invited them to consider that town as the location for the proposed new bank. The railroad had been completed to McMinnville, and the business interests of the community felt that a bank was needed for the full realization of the commercial potential of the city. A belief that if McMinnville had a bank, the voters of Yamhill County might be more readily persuaded to move the county seat from LaFayette to McMinnville was an unstated but real factor in the invitation to establish the bank in the latter city.[2]

This warm reception and the cooperation offered by business interests resulted in a decision to establish the bank in McMinnville. Jacob Wortman had decided to commit only $30,000 to the bank enterprise. While this was a substantial sum for that time, it was less than the $50,000

[1] *History of the Wortman Family in Oregon* (privately printed, McMinnville, June 1955).

[2] The removal of the county seat from LaFayette was approved by the voters of Yamhill County in 1887.

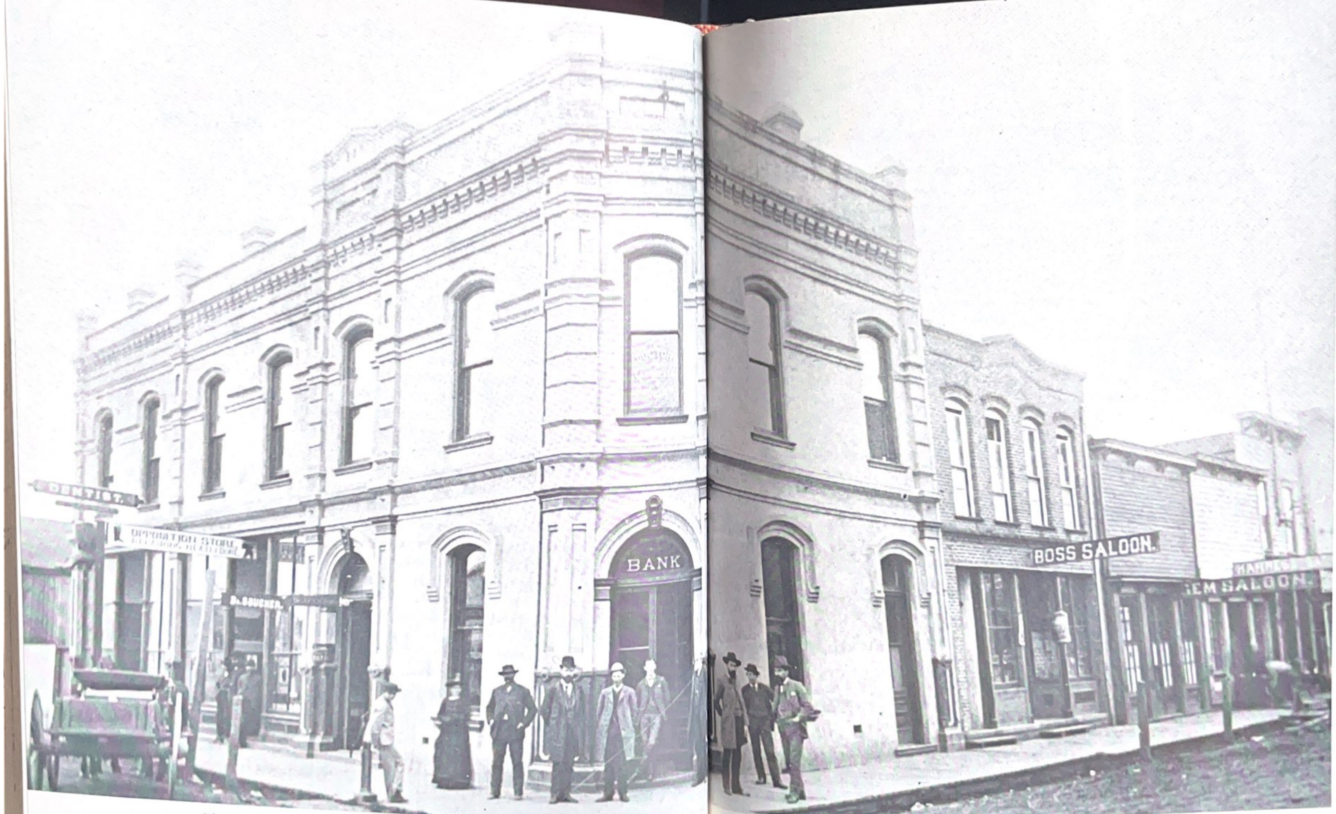
Perhaps the last family-controlled bank in Oregon is the First National Bank of McMinnville.

minimum capital required for the organization of a national bank. For this reason, the enterprise began as a state-chartered corporation under the name of the Bank of McMinnville. The articles of incorporation were filed November 20, 1883, although the bank did not open for business until December 3, 1883. The incorporators were Jacob Wortman, D. P. Thompson, John Wortman, and H. C. (Chris) Wortman. Thompson was a prominent Portland banker with interests in several upstate banks.

No financial statements of this bank have survived. It can be established that the beginning capital was $30,000 and that the bank was unprofitable for the two years of its life. It is known, also, that Jacob Wortman did not participate actively in the operation of the bank. His son, John Wortman, was the active manager and sole employee. Though Jacob Wortman was not actively employed in the bank, he had not retired; he managed the leading general merchandise store in McMinnville for the owner who had other business interests.

Financial statements and the names of bank officers of the successor, First National Bank of McMinnville, are available in the Reports of the Comptroller of the Currency for 1886 and following years. The exact date of the national charter does not appear in published records, but it was sometime after October 1, 1885, and prior to October 7, 1886. The first financial statement of the bank was as of this latter date and is included in the 1886 Comptroller's report. Because this first statement shows undivided profits of $7,887, it is reasonable to assume that the date of incorporation was in late 1885.

The initial capital was $50,000, the legal minimum required for national banks. This was $20,000 more than the capital of the predecessor bank. The source of this additional capital is not known; it was not the result of accumulated earnings of the Bank of McMinnville because that bank was not profitable during its first two years. Perhaps Jacob Wortman merely dug deeper into the family resources to supply the added capital now that he had had an opportunity to observe John's management of the bank. It is also possible that some of the additional stock was taken by interests outside the family. Indeed, some nonfamily names appear as



McMinnville National Bank 1888, competitor of the Wortman Bank.

Note the two saloons adjoining.

officers in the Rand McNally bankers' directory in the late 1880s and 1890s, but these nonfamily names do not appear in the Comptroller's reports. Several nonfamily names appear as assistant cashier during this period. It does not necessarily follow that these persons were stockholders. The bank operation had perhaps reached a size that made it impossible for John to operate the bank alone. He needed assistance, but his sons Frank and Ralph were not yet old enough to work in the bank. Two of these assistant cashiers from outside the family were H. W. Beebe in 1887 and John Evenden in 1895.

The position of vice-president in small banks then as now was usually held by a stockholder-director who was unsalaried and not active in bank operation. Several nonfamily vice-presidents appear in the Rand McNally directories in the early years—W. D. Fenton in 1887, E. N. Ford in 1895, and Ed Hendricks in 1907. None of these names appear in the Comptroller's reports for these years. It is possible that these were men who had married Wortman girls, but it may also indicate that some of the additional capital may have come from other than family sources.

The new National bank appears to have been profitable from the beginning. The growth of capital items for selected years is shown in the table below:

	Capital stock	*Surplus*	*Undivided profits*
Oct. 7, 1886	50,000	----	7,887
Oct. 5, 1887	50,000	8,000	4,700
Oct. 4, 1886	50,000	10,000	7,600
Sept. 30, 1889	50,000	10,000	13,790
Oct. 2, 1890	50,000	10,000	24,373
Sept. 25, 1891	50,000	10,000	35,750
Sept. 30, 1892	50,000	10,000	45,379
Oct. 3, 1893	50,000	10,000	40,862
Oct. 2, 1894	50,000	10,000	39,437
Sept. 25, 1895	50,000	10,000	30,413
Oct. 6, 1896	50,000	10,000	30,109

The ratio of stockholders' capital to deposits was unusually high even for this period and was, of course, fantastic when compared with present-day capital-to-deposits ratios. In 1886, for example, bank capital of $57,887 compared with deposits of $61,000. This was, however, the first year of operation, and in subsequent years the deposits expanded somewhat faster than capital. In 1888, for example, bank capital was $67,600 compared with deposits of $152,300. Even as late as 1907, the capital was in excess of one-third of deposits.

But unlike the pattern of present-day banking practice, loans were quite substantially in excess of deposits in the early years. In 1886, when deposits were only $61,000, loans were almost double at $109,000; in 1888, deposits had grown to $152,300, but loans had expanded to $182,000. Such an excess of loans over deposits would now be regarded as unsafe, but this is only because bank capital is such a small proportion (approximately 10 per cent) of deposits. The larger loan volume in relation to deposits of the Wortman bank was not at all unsafe because the stockholders investment was also high in relation to deposits.

The new national bank was not organized until after the resumption of specie payments in 1879. The Wortmans, like most Oregonians, appear to have distrusted "greenbacks" and to have preferred "hard money." During these years, all cash items were either directly or indirectly convertible into gold; deposit claims on other banks might have to be first converted into money, and national bank notes were not directly redeemable in gold[3] but could be converted into money which was redeemable in gold. There was, in short, no legal reason for differentiating between different kinds of cash in the financial statement. Today the First National Bank of McMinnville, following the general practice, has only one cash item on its financial statement, "Cash and Due from Banks."

But the Wortmans did not, at least in the nineteenth century, consider that one kind of cash was equal to any other kind. Clearly reflecting the Western attitude, the Wortmans in the financial statement for October 2, 1894, showed cash in eight separate and distinct categories as follows:[4]

Due from other National Banks	$11,300
Due from State Banks and bankers	4,684
Due from Approved Reserve Agents	9,842
Checks and other cash items	434
Bills of other National Banks	150
Fractional currency	0.70
Specie	11,733
Legal tender notes[5]	144

It is noteworthy that only $294 of the money on hand as distinguished from deposits in other institutions was in the form of paper money. While

[3] Except the notes of the National Gold Banks in California.

[4] This was a standard classification of the period and the Wortman classification was not unique.

[5] These were United States Notes commonly called "greenbacks" but after 1879 freely convertible into gold.

$11,733 was in specie or hard money. Clearly, the bank's customers did not like paper money. Fractional currency was paper monev in units of less than one dollar. These "shinplasters" were first issued in 1862 and their issuance was made necessary by the fact that "greenbacks" were at a discount in terms of metal money.

There was an epidemic of bank failures in Oregon along with the other states in the mid 1890s, but Jacob Wortman's First National Bank was never in real danger. Clearly, the bank would have been in real trouble except for the rapid build up of the capital in the period from organization of the bank to 1892; the undivided profits account reached a maximum of $45,379 in this year immediately before the onset of the deep depression of 1893-96. As indicated in the table, the undivided profits account was reduced from the $45,379 of 1892 to $30,109 in 1896; it is probable that this reduction was a result of operating losses during this period. Another evidence of pressure on the bank was the shrinkage of deposits and loans over this period shown in the following table:

	Deposits	*Loans*
Oct. 7, 1886	$ 61,000	$109,000
Oct. 5, 1887	124,000	188,000
Oct. 4, 1888	152,300	182,800
Sept. 30, 1889	187,000	233,000
Oct. 2, 1890	199,164	240,249
Sept. 25, 1891	237,547	278,231
Sept. 30, 1892	198,320	222,403
Oct. 3, 1893	106,592	173,758
Oct. 2, 1894	110,446	166,077
Sept. 25, 1895	92,818	128,083
Oct. 6, 1896	62,331	111,952

The shrinkage in deposits of nearly three-fourths between 1891 and 1896 was tremendous even for this difficult period. It would surely have resulted in the failure of the bank except for the extraordinary capital position. Indeed, at the low point in 1896, the stockholders investment in the bank (indicated by capital, surplus, and undivided profits) was 50 per cent larger than the deposits. It is small wonder that the bank was not profitable. It is worth noting that loans were reduced over this period, but not nearly as much as deposits. Without doubt, collections were difficult, but it is quite possible that Jacob Wortman did not especially desire to reduce loans as rapidly as deposits were reduced. There was no reason for him to panic in view of the comfortable and even excessive capital position. Then, too, he was aware of the need for income and realized that

loans were, then as now, the principal source of income.

Did Jacob Wortman foresee the depression that began in 1893 and because of this foresight build up the capital of the bank as he did? Or was he merely lucky? Did the capital of the bank increase so rapidly up to 1892 merely because this was a period of active business and it was relatively easy for the new bank to earn profits? These questions cannot be answered, but if he did not foresee the onset of the depression at least he had the wisdom to use the unusual earnings of the period prior to 1892 to build up the capital of the bank rather than to pay high dividends to stockholders.

Indeed, the capital of the bank at the end of 1892 was at a level that would not be exceeded for nearly forty years. In 1892, the capital was only slightly larger than it had been four decades earlier. But the deposits and total resources of the bank expanded substantially during this same period. This meant that the ratio of capital to deposits and resources was greatly reduced. It should be remembered that the capital-deposit ratio of this bank in 1892 was abnormally high. Moreover, declining capital ratios was one of the dominant characteristics of this period; the change in the relationship of capital to deposits in the First National Bank of McMinnville did not differ very much from the changes that occurred in other banks during the same period.

The bank easily survived periods of general business unsettlement until 1931. The brief financial panic in 1907 was apparently little noticed in McMinnville. Banks in Portland and Eugene issued so-called "Clearing House Certificates" which were the obligation of the Clearing House banks and secured by the deposit of collateral. These certificates served for a brief time as a money substitute. Banks in many cities where such certificates were not used employed various devices to ration cash to customers. But Mr. Ralph Wortman, who was a young assistant cashier of the bank in 1907, does not remember anything unusual about the bank's operation in that year; and neither he nor his brother, Mr. Frank Wortman, who was also employed in the bank in 1907, have any recollection of the use of any sort of money substitute or cash rationing. It must be concluded that whatever difficulties the bank may have experienced in 1907 were not of major proportion.

Neither did the brief boom and collapse of 1919-1922 present the bank with any particularly difficult problems, although there was a relatively slight decline in deposits. The bank had not over-expanded and had been cautious in its lending policy, and it was relatively easy to adjust to the fall of farm commodity prices from wartime levels.

The expansion of the bank during the 1920s was relatively modest. Agriculture was not especially prosperous during this period, and perhaps because of this fact, as well as because of good bank management, the institution escaped overexpansion. In 1928 and 1929, business was more active than usual and deposits expanded to $650,000 in July of 1929.

The stock market decline beginning in the fall of 1929 seemed to present no unusual problems, although there was a slight decline in deposits from July to December of that year. Neither did 1930 seem to present any especially difficult problems although business did not improve.

Both Ralph Wortman and Frank Wortman remember 1931 as the year of pressure, and the published bank statements bear out their recollection. They remember that during this year it was difficult to maintain liquidity; there was a decline in deposits and these veteran bankers were sometimes hard-pressed to maintain liquidity as deposits declined. But their grandfather, Jacob Wortman—the old steamboat man turned banker—would have been impatient with their complaints. In the period following 1892, he had seen the deposits decline by 75 per cent, and, while this presented a difficult problem of adjustment, the bank survived. His grandsons in 1931 had only to contend with a deposit decline of 28 per cent from 1929 to 1931. But the grandsons' problem was complicated because, as in other banks, the capital ratio was very much lower than in the 1890s. Total resources had increased very much more than capital, and adjusting to a 28 per cent decline of deposits was more difficult than it would have been three decades earlier. It should be noted that while 1931 brought a decline in deposits the capital of the bank was actually higher than in 1929. Evidently, though 1931 may have brought some problems, the bank operated at a profit.

But the decline in deposits never reached the panic stage and, contrary to the experience of other banks, did not continue to decline after 1931. At the end of 1932, which coincides approximately with the bottom of the long business cycle, the deposits in the Wortman bank exceeded the 1929 level. In the years since 1931, the bank has made rapid progress; the bank capital is approximately six times the 1931 figure, and deposits have expanded even more rapidly than capital. As a result, the ratio of capital to deposits has been reduced, although it is quite conservative as compared with the average for all banks.

Even though the total resources of the institution are now only a little below the ten million dollar level, the bank maintains its character as a friendly local enterprise in close contact with customers. It values its independence and has rejected many purchase or merger offers. Its man-

agement, which includes fifth-generation Wortmans, has expressed a determination to remain independent.

In February 1952, a surprise party was held for Frank and Ralph Wortman, who then had completed fifty years of service with the bank. It was reported[6] that there were more than 1,600 guests, which included bankers from other states and cities as well as former borrowers and depositors who were residents of other areas. More than a decade after this "Golden Anniversary" both men are still active in the management of the bank.

It was inevitable that legends and stories would become associated with the development of such a family enterprise as this. Many a business man or former borrower of Yamhill County recalls an unsecured loan from the Wortman bank as the foundation of a subsequent succesful career. To an occasional disappointed loan applicant, the Wortmans were "tight-fisted." In either case, the stories probably grow with the telling.

One of the legends of McMinnville banking has to do with the behavior of an angry depositor who, in a rather spectacular fashion, transferred his deposit balance from one McMinnville bank to another.[7] The incident must have occurred some time in the late 1880s or 1890s and involved the First National Bank of McMinnville and its competitor, The McMinnville National Bank. A substantial depositor in one of the banks had a falling out with his banker and decided to withdraw his funds and transfer the account to the other bank. The story does not specify whether the Wortman bank was the gainer or loser of the account. The depositor was so infuriated with his banker that he wanted to make very clear to townspeople that this bank was losing one of its most substantial customers. In order to accomplish this objective, this angry pioneer plutocrat went to the town mortician (who was probably called an "undertaker"), and rented a casket. His next step was to engage the services of a McMinnville band. Then on a busy afternoon the angry depositor, the rented casket, and the hired band were appropriately deployed in front of the bank that held his account. After a sufficient crowd had been attracted by the free band concert, the depositor began the process

[6] *Oregonian*, Feb. 18, 1952.
[7] I am indebted to Mr. Don Woodman, editor and executive manager of the *Oregon Purchasor* for this story. Mr. Woodman heard it in Yamhill County more than fifty years ago, and recalls especially the vivid account of the episode as told by the late Mr. Walter (E.W.) Rea of Amity. Neither Frank nor Ralph Woodman can remember such an incident, although this is not surprising since it must have occurred many years before their association with the bank.

of withdrawing his funds. In McMinnville, as elsewhere in Oregon at that time, money meant hard money, or what the bank statements called "specie." The depositor made several trips back and forth from the bank lobby out to the casket, each time dropping a few sacks of his "specie" into the casket. Perhaps he did not really need to make so many trips but, without doubt, it served to make a better show.

When the last of his deposit had been converted to hard money and dropped in the casket, the strange procession was ready to march down the street to the other bank. With the band playing at full throttle,[8] and perhaps leaving the losing banker in a dark mood, the final act of the drama was completed. In front of the favored bank, the townspeople were entertained briefly with more music. Then the process of depositing began. Although it might have been possible to have made the deposit in a single trip from the casket to the bank lobby, this would not have been good drama; so several trips were made in order to complete the deposit and to enable the angry depositor to impress townspeople with his change in banking allegiance.

It should be emphasized that this is legend; the story cannot be documented, and it is quite likely that it has grown with the telling. This is quite unimportant. It does, however, give something of a picture of what country banking was like in the late nineteenth century and, indeed, for the first decade of the twentieth century.

A somewhat more recent incident serves as an extreme illustration of the customer service and interest in customer welfare possible in a locally-owned and controlled bank. It is hardly conceivable that this could have happened in a branch bank. It perhaps should be added that neither is it likely to happen in the Wortman bank again; it is by no means a fair sample nor typical of the usual banking practice of the First National Bank of McMinnville.

Many years ago, a family moved into the McMinnville area and in due course established an account with the Wortman bank. But after a brief period, and before the family had become thoroughly established, the husband died. In these circumstances, the family decided to seek another location. After funeral services, the body was cremated and the ashes placed in a sealed metal container. The family, however, was unwilling to make any immediate disposition of the remains. They then explained to the bank officers that since they had no roots in the com-

[8] Mr. Woodman has suggested that perhaps the tune was "Silver Threads Among the Gold."

munity it was their plan to find another location. Specifically, they inquired whether the bank would be willing to store the container in the bank vault until they found a location to their liking. It was indicated that this would require only a brief period and that they would then reclaim the ashes of the deceased; and presumably would inter the remains in a mausoleum or tomb close to their new location. While realizing the unusual nature of this proposal, the Wortmans granted the request of the family and the sealed container was placed in the bank's vault.

It was expected, of course, that the bank vault would be only a temporary resting place for these mortal remains; but the weeks stretched into months and the months stretched into years, and the lonely container gathered dust in the "temporary" tomb. More than a decade passed and there was no word from the family. What had happened? Did the man's family meet with an accident? Or, did they merely decide that the bank vault was a suitable (and cheap) final resting place for papa? Only after nearly two decades and much correspondence and effort was the bank able to finally evict the "temporary" vault tenant. One wonders whether all employees of the bank were always entirely comfortable when working in the vault in the presence of the "man in the metal container." Employment in the bank might not have been exactly suitable for those who believed in and feared ghosts.

Present bank customers who might request vault space in the Wortman bank for the ashes of deceased relatives would undoubtedly find the officers to be singularly uncooperative and unenthusiastic. They could not be blamed for such an attitude. But the incident does furnish an illustration of service to bank customers "above and beyond the call of duty."

THE BANK THAT NEVER MADE A LOAN

bank examiners can give little trouble if there are no "loans and discounts" to criticize

Interior of Beekman Banking House and Express Office. C. C. Beekman behind the counter.

Entry into the banking business could be quite casual and free of red tape. It was necessary only to hang up a sign... it might not even be essential to have a sign.

The C. C. Beekman Bank of Jacksonville was unique in many ways; the most astounding thing about it was that, so far as the reports of the State Banking Department show. it never made any loans. Beginning in 1908, the annual reports of this agency show the balance sheets of all state banks. The C. C. Beekman Bank, from the first balance sheet in 1908 to the last in 1914, showed "Loans and Discounts—none." The assets side of the statement included cash items and "Bonds and Warrants" only. The liability side of the statement showed the usual items of capital and deposits. But there was never any entry for "Loans and Discounts."

Jacksonville, a pioneer settlement in Oregon,[1] was a center of gold mining. In 1853, as a very young man, Mr. C. C. Beekman entered the employ of Cram, Rogers and Company of Yreka, California as an express messenger. This company was affiliated with Adams and Company, an early competitor of Wells Fargo. Mr. Beekman continued in the employ of Cram, Rogers and Company until that firm went out of business. He then took the line on his own and carried many millions in gold dust and nuggets from Jacksonville to Yreka and Crescent City. Despite Indian wars, bandits, and the natural hazards of traveling over the Siskiyou Mountains in all seasons, there is no record of any loss. Perhaps this is because he traveled only at night.

In 1863, when Wells Fargo extended their service to Portland, he was offered and accepted the Jacksonville agency. He operated this agency in connection with his bank until his death in 1915.

Just when he began a banking business is unknown. Before 1907, entry into the banking business could be quite casual and free of red tape. It was not necessary to incorporate. It was necessary only to hang up a sign BANK and begin operations, and it might not be absolutely essential even to have a sign. A man could become a private banker gradually and without deliberate plan. It is quite possible that Mr. Beekman did not know exactly when banking operations began.

[1] General background is from standard sources of Oregon history, especially Albert G. Walling, *History of Southern Oregon; Comprising Jackson, Josephine, Douglas, and Coos Counties* (Portland, 1884).

Mr. Beekman's banking enterprise began with his activities as a gold buyer. Just when he became active in buying "dust" is not entirely clear. But his account books now deposited in the Library of the Oregon Historical Society reveal that as early as 1867 buying and shipping "dust" was one of his major activities. These records do not indicate that the precious yellow metal was ever bought or sold in any other form than "dust." It should be said that the term "gold dust" was never used; it was simply "dust."

The so-called "Dust Books" for 1867 and 1868 show that this was a quite profitable sideline, if indeed it was a sideline. The following summaries abstracted from these records show Mr. Beekman's profits from thes transactions for 1867 and 1868, and the number of ounces of gold dust shipped from 1867 through 1882:

	1867		*1868*	
	Profits	*Ounces Shipped*	*Profits*	*Ounces Shipped*
Jan.	386.10	624	496.13	682
Feb.	387.73	487	307.11	386
Mar.	818.34	1,023	783.45	894
Apr.	1,229.07	1,949	1,445.21	1,696
May	1,245.75	1,737	618.59	867
June	996.29	1,221	962.22	1,601
July	418.15	549	852.47	1,156
Aug.	1,058.94	1,461	877.30	898
Sept.	687.98	868	324.95	498
Oct.	622.98	908	298.43	485
Nov.	673.92	1,103	512.48	851
Dec.	392.10	490	437.79	547
Totals	$8,917.35	12,420 oz.	$7,961.13	10,561 oz.

Number of Ounces of Gold Dust Shipped by C. C. Beekman 1869-1882

Year	*Ounces*	*Year*	*Ounces*
1869	7,531	1876	3,826
1870	7,679	1877	*
1871	5,501	1878	*
1872	6,167	1879	*
1873	5,956	1880	6,443
1874	4,720	1881	5,575
1875	3,888	1882	4,876

* not available

The profits shown in the second table are not quite accurate, since it appears that Mr. Beekman's "Dust Books" were on a cash rather than an accrual basis and the gold shipped (and credited) in a particular month did not always represent the dust purchased in the same month.

The accounts show that his usual buying price for dust was around $16.50 per ounce and that his net realization was perhaps an average of $.75 per ounce. This was not a very wide margin of profit, although the total profits were quite satisfactory.

Mr. Beekman had some sort of facilities for cleaning the gold dust purchased or consigned to him. These facilities were essential if a dust buyer wished to remain solvent. It was Mr. Beekman's custom to advise the consigner of the quantity of dirt and sand found in the shipment. When he reported by letter to a consignor of dust it was, rather incredibly, his practice to enclose the dirt and sand in the envelope so that, as he put it, "you can see for yourselves." Perhaps some shippers of dust were less than fully convinced that the dirt and sand received by them had really come from their shipment.

At least after 1879, when the United States notes (greenbacks) were freely exchangeable for gold coin, it was Mr. Beekman's custom to remit for dust shipments in greenbacks. It is worthy of note, however, that in spite of the fact that gold and greenbacks were at official parity, Mr. Beekman's remittance letters reflect a distinct flavor of apology for paying in greenbacks instead of coin. The following letter[2] is illustrative:

> Mesrs Beach and Platter November 3, 1885
> Althouse, Ogn,
> Gentlemen:
> Yours of 2 inst. with 12 ounces of dust at hand but received to late in the evening to send you the proceeds by return mail as requested. The dust after cleaning lost in dirt and sand j 1 (?) (making 11 oz and 15/16 oz). I enclose the sand so you can see for yourselves. I allow you $199 for the dust and send herewith enclosed greenbacks for same, it being better to send than coin and which I suppose you can use as well as coin. Trusting you will be satisfied, I remain,
> Yours respectfully,
> C. C. Beekman

The gold dust purchased was shipped by him to his friend Wadsworth of Wells Fargo & Co. in San Francisco with instructions to have it

[2] From the Beekman letters and account books deposited in the Library of the Oregon Historical Society.

coined by the United States Mint with the proceeds credited to the Beekman account with that company. The following letter is illustrative:

November 24, 1885

H. Wadsworth, Esq.
Care W. F. & Company
San Francisco
Dear Sir:
I send you this day by Wells Fargo & Co. Express via Portland 127 ounces of dust. Please have same coined by U. S. Mint. Proceeds place to my credit. Freight prepaid at this office.

Yourse respectfully,
C. C. Beekman

It is not clear why this and other shipments were routed from Jacksonville to San Francisco *via Portland*. Perhaps it went from Jacksonville to Portland by stage or railroad and then to San Francisco by water, although the reason for such circuitous routing is not evident.

Both Mr. Beekman and Wadsworth were associated with Wells Fargo but they were also close personal friends. Mr. Beekman's son Benjamin (Ben) was enrolled as a student in Healds Business College in San Francisco in 1885 and the senior Beekman looked to his friend Wadsworth to keep a friendly eye on the young man. Mr. Beekman did not lack confidence in his son; far from it. Indeed, he showed unusual confidence in his son by giving him an unlimited letter of credit to draw on the senior Beekman's account with Mr. Wadsworth at Wells Fargo! The following warm and affectionate letter from Beekman to his son reflects parental pride and confidence:

December 7, 1885

My Dear Son:
Yours of the 1st inst. came to hand this morning and contents noted. In reply would say that I thought your estimates would fall short, in fact your expenses have been no more than I thought they would be. You no doubt recollect that I told you that I would pay the expenses of the trip which I still propose to do, and will feel well repaid if you have made the advancement that I hope you have in the way of a business education. I want you to stay in San Francisco till you have thoroughly mastered the course at Healds Business College. I would also like (if your throat and health permit) to have you take lessons in elocution of Prof. Eastman or some other good elocutionist, as it will probably be the only or at least the best opportunity you will ever have to do so. I would very much like to have you deliver the

annual address for the Jackson County Pioneers next September as I expect to take an active interest in the Society meeting next fall, after which I shall probably retire from active participation in its affairs. In regard to a present for Carrie, I desire to make her a present next Christmas Day and will follow your suggestion in the matter, so get a nice set of Dickens Works or some other author as you deem best, have them packed securely and shipped by W. F. Express via Portland . . .

As you have a carte blanc letter of credit on H. Wadsworth draw what money you need for your purposes including theaters, sundries, etc. for if I were in San Francisco I would no doubt take everything of the kind in. Did you see the Shakespear's Plays, I would like to have seen them myself and would have done so had I been in San Francisco while they were being played . . .

Mr. Beekman was a respected member of the Wells Fargo team. He enjoyed an especially close association with H. Wadsworth of the San Francisco office; not only did he rely on him to keep a friendly eye on his son Ben, but he solicited investment information and advice. Indeed, present day investors are still asking the same questions that Mr. Beekman directed to Wadsworth, "Where can I invest from $10,000 to $30,000 so it will pay, say, 8% interest per annum?" But the Jacksonville banker was not a naive or unsophisticated investor; he knew his way around the world of politics and business and occasionally offered sage comments on investments in which each was interested. Mr. Wadsworth owned land in Jackson County and Mr. Beekman occasionally offered his services and advice in the management of the property. In the following letter of December 8, 1885, the banker reported with some apparent pleasure that the Jackson County Assessor had failed to place an assessment on the land and that he (Beekman) "had not told him to assess it."

December 8, 1885

Friend Wadsworth

Yours of the 20th ulto and also 2nd instant on account of bad roads did not come to hand till yesterday. In reply to the letter of the 30th ulto I would say that the land you entered in Jackson County, Oregon, is still here, although I have not seen it yet I am told such is the fact. In regard to its being sold for taxes, rest easy on that score, for there never has been anybodies land sold as yet in Jackson County. Somehow or other the Assessor overlooked your land and I have never

told him to assess it. Should he, however, "tumble" to it, I will attend to the matter and see that the taxes are paid, so rest easy, it will not be forfeited while I am around.

In regard to the Spring Valley Water stock I will leave the matter entirely to you on the shares I am entitled to purchase by virtue of being a stockholder. If you conclude to buy, pay for my part of the purchase price and charge same to my bank account. I now own 500 shares which is now in your safe. Not [sic] care to put any more money in the Water stock as a permanent investment. Still the 500 shares I now own will keep. You know it will not do to put too many eggs in one basket, besides, you know you have a great many "Kearneyites"[3] in your city and they may some fine day take a notion to confiscate the property, hence the 500 shares is all I want to hold as a permanent investment . . .

I have a large balance to my credit with the Portland banks. Can you tell a fellow where he can invest say from $10,000 to $30,000 so it will pay, say, 8% interest per annum? If you can, I would like to know where the place is. I am glad to hear that Ben (my son) is enjoying good health in your city—Mrs. Beekman and myself go a good deal on him, so honor his checks on me for his expenses. Trusting this will find you and yours enjoying good health, I remain your friend and well wisher. C. C. Beekman

From some time in the 1880s until 1907, Mr. Beekman was associated with Thomas G. Reames in the Beekman and Reames Bank, successor to the original Beekman Bank. No financial statements of Beekman and Reames are available since it ceased operations before bank regulation and examination began in 1907. But information concerning its affairs is included in the Beekman Papers recently acquired by the University of Oregon Library. Mr. Beekman traveled extensively; he made at least one tour of Europe and frequently visited California, and his former home in Dundee, New York. Mr. Reames wrote to Mr. Beekman while he was away, reporting in detail concerning business affairs, personal matters, and politics in Jackson County.[4]

[3] This term probably refers to the followers of Denis Kearney, founder of the Workingmen's Party. For a brief period, this radical and anti-Chinese party exercised considerable influence in California politics.

[4] Letters from Reames to Beekman are included in the Beckman Collection in the Special Collection Department, University of Oregon Library.

Political developments in Jackson County interested the firm of Beekman and Reames because of its extensive holding of "county script," which in later years became known as county warrants. Moreover, the firm had land holdings and was concerned with the problem of taxation. Mr. Reames evidently took a dim view of politicians and taxation, especially during the period of populist control of Jackson County in the 1890s. On one occasion, after reporting failure to get asssessments reduced, he wrote, "Damn the taxes! xxx!" On another occasion he reported, "the equalization board refused to reduce the assessments on the Bybee land, hence we will have to grin and pay it."

The firm felt the effects of the depression in the 1890s, although it was apparently never in real danger. On October 22, 1893, Mr. Reames wrote: "Our business continues about the same as when you left. Collect very little; think about as fast as we are losing deposits. Making no loans. Have not sued the Myers family yet, but will soon if they do not walk up and pay."

On November 29, he again reported a decline in deposits. "Our deposits are growing less day by day—yet I am meeting the decrease as fast as it comes . . . When tax paying time comes perhaps we can sell our county script . . . have no fears of us getting cramped."

Borrower and prospective borrowers may have regarded Mr. Beekman as a more generous lender than Mr. Reames. The latter wrote on November 28, 1893, that a would-be borrower whose loan application was denied was more than a little indignant and said, "Where is Old Beek? I know if he was here I could get it from him . . . he never turned me down yet."

But the low point in the affairs of the bank was apparently passed in 1893. In the following year, Reames's letters were more cheerful. The turn in fortune was not so much concerned with an improvement in the banking situation as it was with a betterment in their business of buying gold dust. He continued to report difficulties in collections on certain mortgages held by the firm; but on several occasions he reported that the dust business was good. On May 7, 1894, he wrote that he had purchased $1,600 in dust in a single day. This was evidently much in excess of normal.

In 1907, Mr. Beekman became the sole owner of the business and the name was changed to BEEKMAN'S BANKING HOUSE. In this same year a banking statute was enacted, and Mr. Beekman was compelled either to cease banking operations or to comply with the new statute. He elected to do the latter, and consequently, annual balance sheets of the bank are available from 1908 until shortly before final liquidation in 1915.

The financial statements for 1908 through 1914 are shown below:[5]

	11-27 1908	11-16 1909	11-10 1910	12- 5 1911	11-26 1912	12-21 1913	10-31 1914
Assets							
Loans and Discounts	none	none	none	none	none	none	none
Bonds and Warrants	91,000	117,000	117,000	106,000	79,000	20,000	15,000
Due from banks	15,658	22,524	30,509	34,087	63,240	41,072	27,908
Cash in bank	35,577	20,420	25,999	24,289	20,000	20,419	25,450
	$142,235	$159,944	$173,508	$164,375	$162,240	$ 81,491	$ 68,358
Liabilities and Capital							
Capital paid in	50,000	50,000	50,000	50,000	50,000	15,000	15,000
Surplus and Profits....	15,566	24,487	17,159	23,559	24,485	3,160	4,235
Due to banks	193	....	1,989	242	316	1,275	....
Demand deposits	75,476	85,457	104,360	90,575	87,439	62,056	49,123
	$142,235	159,944	$173,508	$164,375	$162,240	$ 81,491	$ 68,358

Just why did this bank never make a loan? The available evidence suggests that while the bank made no loans from 1907 until liquidation in 1915, Mr. Beekman made many loans. Mr. Beekman was not just a small town banker with all of his resources tied up in the bank. He was a man of substantial property and affairs. He had been defeated for the governorship in 1878 by only 49 votes; he was a long time regent of the University of Oregon; he was an active participant in statewide affairs. He had an interest in the Commercial National Bank of Portland which was controlled by the Wells Fargo Company. When this bank was reorganized in the 1890s, he was one of those considered for the presidency of the institution. The Commercial National Bank later became part of the United States National Bank of Portland.

It seems probable that Mr. Beekman simply elected to make loans from his personal resources rather than from bank funds. After 1907, banking operations were subject to regulation and examination and it is entirely possible that Mr. Beekman wanted to avoid more than minimum scrutiny by bank examiners. Only an individual with ample personal resources could operate in this fashion. Moreover, it is possible that he regarded the banking business as only an adjunct of his gold buying and express business. He was willing to accept deposits as a convenience to customers but they were not essential to his operations.

Deposits declined rapidly after 1912, but this in no way reflected a loss of confidence in Mr. Beekman or his bank. In this year, he issued a public statement of his intention to retire from the banking business and asked

[5] *Annual Reports* of Oregon State Banking Dept., 1908-1915.

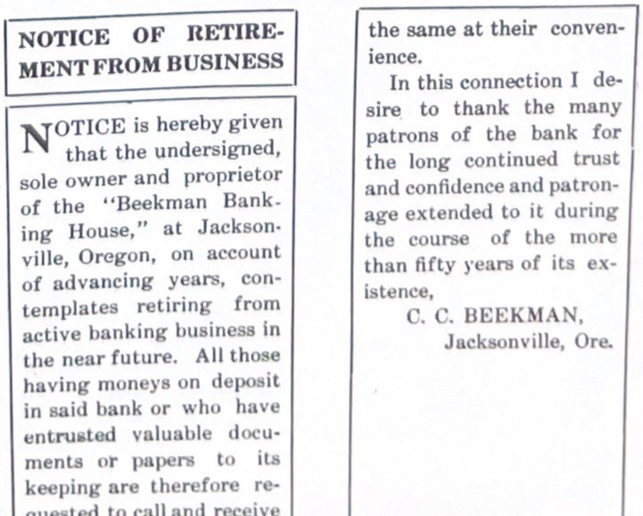
customers to withdraw their deposits. But apparently he did not insist upon withdrawal of deposits by old and valued customers and the bank was not formally liquidated.

When Mr. Beekman died on February 22, 1915, the bank doors were closed and locked, and to this day the building and fixtures remain as they were on the day of his death. Since there were no loans to collect, liquidation was simple, and those in charge of the estate quickly sold the assets, chiefly "Bonds and Warrants," and paid off the depositors. As a matter of fact, payment of depositors, which was completed on May 1, 1915, probably did not necessitate liquidation of "Bonds and Warrants." The final balance sheet for 1914 showed cash items in excess of deposits.

The annual report of the State Banking Department for 1915 noted the liquidation of the bank and reported that payment of deposits had been completed by May 1, 1915. But this was true only in a manner of speaking. In spite of repeated requests, many depositors did not elect to withdraw their funds from the Beekman Bank even after the death of Mr. Beekman. Finally, in order to complete the liquidation, Mr. S. G. Sargent, the State Superintendent of Banks ordered that the funds of these reluctant or stubborn depositors be transferred to a Medford bank and depositors notified of the transfer.[6]

The "banking office" remains a museum piece. There is a vault and long counter more reminiscent of a gold rush express office than a bank; on the walls are such signs as "Gold Dust Shipped to the Atlantic States;" "Gold Exchanged Here for Coinage;" and "Wells Fargo Drafts on Paris;" on the counter are the large gold scales that have weighed out many millions in gold dust and nuggets.

[6] Interview with the late S. G. Sargent who was Superintendent of Banks in 1915.


NOTICE OF RETIREMENT FROM BUSINESS

NOTICE is hereby given that the undersigned, sole owner and proprietor of the "Beekman Banking House," at Jacksonville, Oregon, on account of advancing years, contemplates retiring from active banking business in the near future. All those having moneys on deposit in said bank or who have entrusted valuable documents or papers to its keeping are therefore requested to call and receive the same at their convenience.

In this connection I desire to thank the many patrons of the bank for the long continued trust and confidence and patronage extended to it during the course of the more than fifty years of its existence,

C. C. BEEKMAN,
Jacksonville, Ore.

Notice of retirement from business by C. C. Beekman, 1912.

THE CROSS-COUNTRY BANK EXAMINER

the pioneer Portland banker who, at the age of 73, became Oregon's first bank examiner

Transportation from the era of Oregon's first bank examiner: the stage coach, the "private conveyance" of horse-and-buggy and saddle pony, and, discernible in the background, the railroad.

The first problem of the newly appointed bank examiner was to determine who or what was a bank subject to his jurisdiction.

The difficulties encountered by James Steel, Oregon's first bank examiner, were many and varied.[1] With no great enthusiasm, the 1907 Legislature had enacted laws providing for banking regulation and examination. The legislation created a board of banking commissioners consisting of the governor, secretary of state, and state treasurer. The board was empowered to appoint a state bank examiner, who was directed to examine each bank under his jurisdiction at least once every twelve months. Moreover, the law directed that "all examinations must be conducted personally by the Bank Examiner."

The first problem of the newly appointed bank examiner was to determine who or what was a bank subject to his jurisdiction. Although the statute included a suitable definition, it was by no means easy to determine whether a given business enterprise was a bank under the law. A grain elevator and milling company, for example, might be considered to be a bank of extended credit to some customers and if other customers had credit balances, especially if these credit balances could be transferred by check or draft.

But this problem was solved easily by the first bank examiner. He made up a list of individuals, partnerships, and corporations that appeared to be doing a banking business as defined in the law. It should be noted here that a state bank was not required to be incorporated until 1925. Steel's list included 114 names and was classified by counties. Each one on the list was then notified of the names of all businesses in the county who were supposed to be doing a banking business. As a result of correspondence, and some adjustments of business activities by those who did not wish to be considered in the banking business, the list was reduced to 135 names.

A much more difficult, and indeed impossible, problem was that of meeting the requirements of the law by "personally" examining each of the 135 banks under his jurisdiction each year.

[1] This account of James Steel's experiences as bank examiner is based on the annual reports of the State Bank Examiner for 1908, 1909, 1910; chap. 138 O.L. 1907; Senate and House Journals, 1907-1909. Mr. Steel was seventy-three years of age when appointed.

No one can say that Mr. Steel did not make a valiant effort to comply with this impossible section of the law. In the first annual report of the bank examiner dated December 1, 1908, he reported travel in making examinations as follows:

Railroad	7,146 miles
Stage	550 miles
Steamboat	203 miles
Steamer	740 miles
Private conveyance	183 miles
Total	8,822 miles

The distinction between a "steamboat" and a "steamer" is not altogether clear. It seems a reasonable assumption that steamboat travel referred to riverboats on the Columbia and Willamette rivers and steamer travel referred to ocean transportation. It may be difficult for those not familiar with road conditions in this period to understand why ocean travel would be required in the examination of state banks. But, in all probability, the most convenient route to some Oregon coastal cities such as Marshfield (Coos Bay), North Bend, and Bandon was by sea. Land travel to these places, although not impossible, was difficult.

Mr. Steel must have become something of a stranger to his family during 1908. His examinations could not begin until after May 25, 1908, for the banks were not required to report until that date. Since the date of his first report was December 1, 1908, it is clear that he must have traveled 1,470 miles per month. Just to travel this distance by stage, steamboat, and railroad would have required no little time. But in addition, time was required for the examination, and here he had no assistance. Moreover, during this period, there were five bank closures that required his attention. The report shows that he completed 59 examinations in this period or about 10 each month.

Mr. Steel was a very busy man; he may have found some recompense in the unique opportunity to visit all parts of Oregon. One wonders how he found time to prepare his well-written annual report, especially since he spent only $60.50 for clerical expenses during his first year in office. This indicates that the Salem office was not staffed while the examiner was in the field. Further evidence of sound management by this public servant is the return to the treasury of an unexpended balance of about $6,000 of an appropriation of $20,000 for the 1907-1909 biennium.

In the second annual report, dated one month before the convening of the 1909 Legislature, Mr. Steele wrote:

> . . . at the present time there are 132 banks under state supervision. Now to travel over the State, to visit, and to make a complete examination, once in each year, of that number of banks, scattered as the banks are throughout the State is a physical impossibility.

He therefore made two alternative recommendations to the Legislature:

> (1) That Section 5 of the law be amended permitting the Bank Examiner to have a deputy or assistant to aid in examaning banks.
> (2) That Section 26 of the law be amended authorizing semi-annual examination of every bank subject to State jurisdiction and providing for the appointment, and for the salaries and expenses of three assistant examiners.

But he was to be disappointed. A bill was introduced in the House of Representatives providing for two assistant examiners and requiring two examinations to be made each year instead of one, and increasing the annual appropriation from $10,000 to $15,000. The bill was passed by the House but failed to pass in the Senate. The additional cost involved was probably not the reason for the failure of this proposed legislation. Examination fees were charged, and though these fees were more than sufficient to pay the direct cost of examination, they were not sufficient to make the office of state bank examiner self-supporting. Nevertheless, it appears likely that the costs involved in the appointment of additional examiners would have been covered by additional fees. But the change from no regulation at all prior to 1907 to two examinations a year seemed to the legislature to be unnecessary. It is possible that a bill simply providing for additional examiners with no change in the provision for annual examination would have had legislative approval.

In any event, Mr. Steel apparently wished to again become acquainted with his family. At the end of the legislative session he resigned. He could hardly be blamed.

BANK CHARTERS FOR SALE

the unfortunate outcome of an unusual commercial venture

Downtown Portland, Sixth and Morrison streets, about 1912.

When state bank examiners made their routine examination of the United Bank and Trust Company, they found at least two disturbing facts.

Until 1907, entry into the banking business in Oregon and many other states was simple, easy, and almost entirely lacking in legal formalities. It was only necessary to invite customers by hanging out a sign that said BANK. But this did not insure that the would-be banker was to be overwhelmed with customers. Very probably a smaller proportion of the total population maintained deposit accounts at banks than at present, and those who did maintain such accounts were likely to be the better informed and the financially astute. Such persons were most unlikely to rush to deposit funds in new banks established by impecunious or unknown persons. It was practically impossible for the ne'er-do-well or the skid road bum to become a banker even if there were few, if any, legal barriers in the way.

The Oregon Supreme Court decision in the case of the Hibernian Savings and Loan Association in 1880[1] made it clear that banking corporations could be established under the general incorporation laws of the state provided they did not issue paper money. Many of the banks established after this date were then incorporated. But until the banking legislation of 1907, it was unnecessary for newly established banks to be licensed or to secure permission to begin operations. But the new banking legislation required such licensing, although it included the usual "grandfather clause" exempting banks in existence at the date the act became effective.

The proposed new banking legislation was widely discussed prior to the opening of the Oregon Legislature in January 1907. Moreover, the act did not become effective until May 25, 1907. Banks established prior to that date were automatically licensed under the grandfather clause. It is not surprising that a great many banks were incorporated in Oregon in late 1906 and early 1907; an added stimulus to bank organization during this period was that commerce was more than usually active.

Many banks that became successful operating institutions were incorporated during this period. It is quite possible, of course, that these banks

[1] State of Oregon v. Hibernian Savings and Loan Association, 8 Or. 396, 401 (1880).

were not established because of the impending banking legislation but would have been established even if the licensing requirement had been in effect. But if anyone contemplated even the possibility of establishing a bank, the impending legislation would have been a stimulous to resolve the doubt by incorporating before the act took effect. In Lane County, for example, a group of responsible and respected citizens associated with the Merchant's Bank of Eugene[2] incorporated the Springfield Banking Company with a view to establishing a new bank in Springfield. But the plans evidently did not mature and the bank was not established for one reason or another. The charter, which had cost only a few dollars, was allowed to lapse and was cancelled by the state in 1911 for nonpayment of fees.

An interesting development of this period was a splurge of state bank incorporations by an enterprising California promoter and his two brothers. According to information that was given to the Oregon state banking department by the California banking commission, Mr. F. N. Myers retired after twenty-seven years' service with a large San Francisco bank. Subsequent to his retirement, he promoted several banks in California and all of these banks had to be closed by banking authorities. In Los Angeles, he organized the Japanese-American Bank; whether this bank got beyond the state of promotion and became an operating institution is not clear. In any event, the institution was closed.

In San Francisco, Myers established the United Bank and Trust Company. This institution did have at least a brief operating history. When state examiners made their routine examination of this bank, they found at least two disturbing facts. The bank had no facilities of its own for safeguarding cash; the cash was kept in a safety deposit box in another bank. Moreover, they found that Myers had personally organized an abstract and title company and had borrowed the necessary capital from the bank. Presumably, Myers planned to use the abstract company in connection with real estate loans made by the bank; but profits of the abstract business would belong to Myers. The astonishing feature of this transaction was that the bank's loan to the abstract company was secured by the note of the abstract company due in no less than fifty years. We may surmise that these were not the only irregularities found by the examiners. The bank was promptly closed.

Shortly after the bank closing, Myers, with his brothers M. S. and H. S. Myers, came to Oregon. Whether they came with the intention of making a business of bank incorporation or whether the idea came to them after

[2] L. H. Potter, Alton Hampton, and F. N. McAlister.

they arrived is not definitely known; there is some evidence that would indicate that extensive preparation for bank promotion was made before the Meyers brothers left California. It appears that F. N. Myers was the dominant brother, at least so far as bank promotion was concerned. It would seem that M. S. and H. S. Myers did little more than to lend their names as incorporators. These two brothers do appear in the records as officers and directors of these paper banks but this is not very significant since there were only three incorporators in most cases and necessarily all of them had to "double in brass" as directors and officers.

Newspaper accounts indicated that the Meyerses incorporated twenty-two banks in a brief period following their appearance in Oregon in 1906. No complete detailed list of these bank incorporations is available, but checking in county clerks' offices in Multnomah, Clatsop, Marion, Benton, Linn, and Lane counties, together with certain other evidence, suggests that this may have been an understatement and that perhaps as many as thirty banks were incorporated.

Interior of First National Bank of Cottage Grove, Oregon, about 1910. Reading left to right: Worth Harvey, asst. cashier, Ernest E. Wyatt, bookkeeper and teller, Herbert Eakin, pres., Thos. C. Wheeler, cashier. (Not a Meyers bank.)

ARTICLES OF INCORPORATION

of the

LANE COUNTY SAVINGS BANK

of

COTTAGE GROVE, OREGON.

--

KNOW ALL MEN BY THESE PRESENTS: That we, H.S. Myers, F.N. Myers and H.S. Myers, all residents and citizens of the County of San Francisco and State of California, do hereby associate ourselves together as a corporation, under the general laws of the State of Oregon and do hereby adopt the following Articles of Incorporation.

ARTICLE 1.

The name of this corporation is and shall be the LANE COUNTY SAVINGS BANK, and its duration shall be unlimited and perpetual.

ARTICLE 11.

That the purpose for which said corporation is formed is to carry on a general Savings and Commercial Banking Business; to accumulate the funds of its Stockholders and its Depositors, and loan the same with interest and pay Depositors, with or without interest.

Also, to establish Branch Banks and Agencies in any City in Oregon, also in all States and Territories of the United States of America.

Also to authorize the issuing of and adopting by-laws that will authorize the issuing of Preferred Stock, and allow such rates of dividends upon said Stock, payable upon such terms and conditions as the Directors may deem advisable.

Also, to purchase, hold and convey a lot and building in which the business is to be carried on, and to improve the same.

Also, to own and operate for rent, Safe Deposit Vaults and Boxes upon such terms and conditions as may be agreed upon. To ..chase , own and sell such personal property as may legally be

1.

Articles of incorporation for the Lane County Savings Bank of Cottage Grove, an attempted Myers promotion. Note broad but probably illegal power to locate banks in any state or territory of the United States.

These bank charters (articles of incorporation) examined in the county clerks' offices in six counties are so similar as to suggest almost mass production. In all cases, the nominal capital authorized was $5,000; the wording, except for the name of the bank, was almost identical. The articles describe the three brothers as residents of San Francisco and the notorization was by a San Francisco notary. This would suggest that the charters were prepared while the brothers were residents of California. A majority of the charters examined were dated in late December of 1906 and early in 1907. Perhaps the most striking similarity is in the color of the typing. The charters were evidently prepared on a typewriter with a distinctive and rather peculiar sepia-brown ink on the typewriter ribbon. Some of the charters contain penciled notations indicating that they were received from the "American Bond and Underwriting Company" of 2523 California Street, San Francisco, California.

It appears the purpose was simply to sell the bank charters to local interests. In a very few instances, this effort may indeed have been successful, although in most cases the charters were forfeited in due course for nonpayment of fees. The Myers brothers, for example, incorporated the German-American Bank of Portland on December 29, 1906, for the usual nominal capital of $5,000. Early in 1908, supplementary articles were filed increasing the authorized capital from $5,000 to $500,000! But these supplementary articles were signed by Samuel G. Reed, Seneca Fouts, and Louis J. Wilde. There were persons associated with the German-American Bank that opened for business at Sixth and Alder streets in Portland and subsequently moved to Sixth and Washington streets. The evidence here indicates that Myers may have succeeded in selling the charter. None of the Myers brothers was ever associated with the operation of this bank.

Myers had a curious predilection for the incorporation of nationality banks. He incorporated the Scandinavian-American Bank of Astoria, although he was never associated with its subsequent operation. Here again, supplementary articles were filed and new interests appeared; it is evident that he was successful in selling the charter to these other interests.

The history of these two banks is included in a separate story dealing with nationality banks in Oregon that appears elsewhere in this volume (page 258).

The following "paper banks" can be identified as Myers' promotions either from inspection of county clerks' records in the six counties mentioned or, in a very few cases, from the record of judicial proceedings.

	Incorporated:
Japanese-American Bank of Portland	July 31, 1907
Swiss-American Bank of Portland	Feb. 23, 1907
German-American Bank of Portland	Dec. 29, 1906
Marion County Savings Bank	Dec. 22, 1906
Linn County Savings Bank	Dec. 22, 1906
Benton County Savings Bank	Dec. 22, 1906
Lane County Savings Bank (Cottage Grove)	Dec. 22, 1906
Scandinavian-American Bank of Astoria	Nov. 20, 1907
Washington County Bank of Banks	Sept. 8, 1908
Italian-American Bank of Portland	Dec. 22, 1906
Mount Scott State Bank of Lents (Incorporated as Union County Bank of Union, Oregon)	1908

Judging by the sequence of charter numbers and by the names of the banks, as well as by some other evidence, the following banks were probably Myers' promotions: Ashland Savings Bank, Baker City Savings Bank, City and County Savings Bank, Coos County Savings Bank, German-Commercial Savings Bank, Grants Pass Savings Bank, McMinnville Savings Bank, Medford Savings Bank, Polk County Savings Bank, Seaside Savings Bank, Union County Savings Bank, and Wasco County Bank.

We cannot be certain that all the banks in this second list were incorporated by Myers. But since these lists were prepared exclusively from the accounts of the legal difficulties of Myers in 1911, and from the list of banks whose charters were forfeited in 1911 for nonpayment of fees, and checked in the records of only six counties, it is quite possible that the number of Oregon banks incorporated by the Myers brothers may have been as many as thirty.

F. N. Myers appears to have participated in the actual operation of only two banks during his career in Oregon. One of these was the Mount Scott State Bank of Lents. An account of Meyers' association with this bank is related below. He also had a quite brief association with the operation of the Washington County Bank of Banks. This bank eventually became a successful operating bank, but Myers had little to do with its growth. This small bank operated successfully and survived the difficulties of the 1920s as well as the depression of the 1930s. It became an affiliate of the Commercial National Bank of Hillsboro and in the 1950s was merged into the Commercial Bank of Oregon. But the name of F. N. Myers appears as president only in 1909, when the total resources of the

institution amounted to less than $20,000. The name disappeared after 1909 as the bank began to prosper. Evidently the owners identified Myers as deficient in qualities necessary in a good operating banker.

It is quite clear that the purpose of the Myers brothers was not to operate banks but rather to profit from the promotion of banks. Under usual circumstances when outside interests seek to establish a bank in a community they attempt to persuade local citizens to participate in the undertaking, at least as minority stockholders. But Myers did not do this; of the banks checked in the six counties, in only one case was there an incorporator other than the three Myers brothers. The name of E. H. McPike appears as one of the incorporators of the Lane County Savings Bank of Cottage Grove. But Mr. McPike was not a local citizen; he may be identified as a Myers associate in the Italian-American Bank promotion. It is quite probable that local citizens frequently were not even aware that a bank had been incorporated.

The real troubles of Mr. F. N. Myers were associated with the organization and brief period of operation of the Mount Scott State Bank of Lents and his attempt to establish the Italian-American Bank which set up a so-called "banking room" in the Lumber Exchange Building at 102 Second Street in Portland. The Mount Scott State Bank was incorporated by Myers in the summer of 1908 as the Union County Bank of Union, Oregon. For some reason, the name was changed and the bank established in the Portland eastside suburb of Lents at the intersection of Main Street and Foster Road. This Mount Scott State Bank should not be confused with a later bank of the same name that was established in 1926 and closed in 1932.

The Mount Scott State Bank established by Myers was never profitable and was always a very small institution. Maximum deposits were about $40,000, and deposits when the bank was closed on March 4, 1911, were only a little more than $25,000. According to Myers, the reason for the failure was that the officers of the bank had opposed the annexation of the Lents area to Portland, while businessmen of the area had favored annexation, and the bitterness created by this difference of opinion resulted in the withdrawal of support by leading businessmen. Subsequent developments leave little doubt that this was only a lame excuse.

The superintendent of banks, Will T. Wright, must have had reason to suspect that the bank was unsound, because he personally undertook the examination which resulted in its closing. Certainly the superintendent would not have elected to personally examine such a small bank unless he had reason to suspect that its affairs were not in order. It was subse-

quently disclosed that the banking commission of California had advised the Oregon banking department of the "unsavory record" of Myers in California.

The first step taken by Mr. Wright was to count the cash on hand and to verify the balances on deposit in other banks. This reserve totaled only a little more than $3,400, but under the law then in force a reserve of about $4,000 was required. Actually, there was less than $2,000 in currency and coin in the bank. Further investigation disclosed that checks written on the Mount Scott bank had been received from downtown Portland banks but these checks had not been entered on the books because funds were not available for payment. This would indicate that the Mount Scott bank was persistently late in remitting to other banks and suggests that perhaps Mr. Wright had heard complaints from these banks. The bank was closed by Mr. Wright when this deficiency in reserves was discovered and even before he had had an opportunity to examine the other assets. Further difficulties developed when the loans were examined in detail. Included in the loans were certain notes in favor of third parties, and it was not clear that these were owned by the bank. Moreover, in the loan portfolio were included some $2,500 of stock notes given by subscribers to the capital stock of the Italian-American Bank of Portland which was being promoted by Myers.

In due course, Mr. E. P. Tobin of Lents was appointed receiver and the liquidation of the bank began. Mr. Wright proposed to the court that the responsibility for liquidation of the bank be given to the state banking department, but this request was opposed by the depositors' committee. The court sided with the depositors and overruled Mr. Wright's suggestion. Legislation had just been enacted providing for liquidation of failed state banks by the Oregon state banking department, but this legislation was not yet in effect. The Mount Scott State Bank was then the last state bank to be liquidated through the legal machinery provided for liquidation of bankrupt corporations. All subsequent liquidations have been administered by the state banking department. Myers and two other officers of the bank were indicted for accepting deposits knowing the bank to be insolvent.

It is now necessary to shift the scene to downtown Portland and the Italian-American Bank. This bank was incorporated by F. N. Myers and his two brothers, M. S. Myers and H. S. Myers, on December 22, 1906.[3]

[3] The minute book, both of directors and stockholders running from Dec. 22, 1906, through July 3, 1911, and including the articles of corporation, has recently been added to the special collections of the University of Oregon Library.

According to news accounts of the time, this bank was incorporated when Myers learned that the Italian-American Bank of San Francisco was interested in establishing a Portland branch. It was believed that Myers hoped to sell the charter to the San Francisco bank.

The nominal capital of the bank was $5,000, all of which was "subscribed" by the three brothers, but there is no evidence that any part of these subscriptions was ever paid. News stories indicated that the total cash outlay by the brothers was only $13.89—$10.44 for the filing fee and $3.89 for the incorporation fee for the portion of the year. It is a curious fact that on the same day articles of incorporation for the following banks were filed. Three of these were definitely Myers promotions and the sequence of charter numbers suggests all were the result of the Myers urge to incorporate banks.

	Charter No.
Lane County Savings Bank	11.544
Ashland Savings Bank	11.545
Italian-American Bank of Portland	11.546
Medford Savings Bank	11.547
Benton County Savings Bank	11.548
German-Commercial Savings Bank	11.549
Polk County Savings Bank	11.550

The minute book records the initial stockholders meeting on February 18, 1907, at 466 Market Street, which was the Myers residence at the time. Subsequent meetings of stockholders and directors until 1910 were reported held at "the office of the company" in Room 324 of the Henry Building. City directories show this as the office of F. N. Myers whose business was described as "investments." It was also the office of the Banca Popalare Italiana.[4] Beginning in 1910, meetings were held in "the banking room of the company" at 102 Second Street. These minutes are not very revealing, although this is not surprising, since minutes of closely held corporations usually show only the names of directors and officers elected and the bare bones of essential corporate resolutions.

The company was apparently dormant from incorporation until 1910. We may surmise that Mr. Myers hoped to sell the name and corporate shell to the Italian-American Bank of San Francisco. As this hope faded,

[4] What the Banca Popalare Italiana was is a minor mystery. Perhaps this was still another promotion of F. N. Myers. No such bank was ever licensed to do business in Oregon.

plans were made to establish the bank as a going concern. In April 1910, the directors proposed an increase in capital from $5,000 to $50,000. This proposal was promptly ratified by the stockholders; stockholder ratification was hardly surprising since the sole stockholders were the three Myers brothers, who were also the directors.

Banking quarters were then rented in the Lumber Exchange Building on Second Street. The rent of $100 per month was always paid promptly in advance. Fixtures, including a safe, were then purchased on credit. Even though the embryo bank had very little cash to safeguard, Mr. Myers was careful to include an adequate safe in the equipment purchases. This was perhaps because of an earlier experience in California. A California bank promoted by him was closed by the California banking commission, in part because the bank lacked an adequate safe. Evidently Mr. Myers resolved not to be vulnerable on this point again.

The minutes contain no evidence that any part of the additional authorized capital was paid, but a stock salesman, Mr. J. A. Block, a former associate of Myers in California, was employed on a commission basis. Since the stock was offered primarily to members of the Portland Italian colony and since Mr. Block did not speak Italian, a young Italian was employed as interpreter. How much stock was sold is no longer a matter of record, but it must have been more than nominal. Mr. Albert Ferrara, a rising young Italian attorney who was later to become Italian Consul in Portland, testified that he was not impressed with the stock offer until Myers showed him a thick stack of notes signed by men whose names he recognized. He was then persuaded to sign a stock note for $550. Some $2,500 of these stock notes were included in the assets of the Mount Scott bank. But there is little evidence that very much cash was paid in.

In June 1910, Myers filed an application for a license for the Italian-American Bank, claiming a paid-up capital of $35,000. The state bank examiner,[5] after a hearing, denied the application. The banking department had been advised of the unsavory record of Myers in California, although Myers was probably unaware of this fact. The examiner had doubts that the capital was really paid in. Myers then requested a hearing before the board of bank commissioners. The request was granted and the hearing was held in the Imperial Hotel in Portland. At the conclusion of the hearing and when it was evident that very little capital had actually been paid in, Governor Jay Bowerman, who was a member of the banking commission, advised Myers that as long as he was governor no bank would be organized in the state "on wind."

[5] The title was not changed to superintendent of banks until 1911.

But Myers did not give up hope. The directors continued to meet and the rent on the "banking room" at 102 Second Street continued to be paid. Without doubt, efforts were made to collect the stock notes and to sell additional stock. The evidence also indicates that he accepted some deposits in the name of the Italian-American Bank. This was, of course, illegal.

The failure of the Mount Scott State Bank in early March of 1911 made it impossible to complete the organization of the Italian-American Bank. The previous record of Myers and the tangled affairs of both the Mount Scott bank and the Italian-American Bank were given wide publicity. In spite of these circumstances, young Albert Ferrara made strenuous efforts to complete the organization of the bank. He was a leader in the Italian colony and he evidently was anxious to do whatever he could to prevent loss to those Italians who had signed stock notes. The effort was hopeless, although the minute book records meetings of the directors as late as July 3, 1911. Curiously, at this final recorded meeting, Mr. Myers was elected secretary of the company, although he was under indictment and was out on bail at the time.

Shortly after the failure of the Mount Scott bank, Myers and two other officers were indicted for accepting deposits, knowing the bank to be insolvent. The charges against the officers other than Myers were dropped as it became evident that they had had little or nothing to do with the management or policies of the bank. A little later, Myers was also indicted for accepting deposits in the name of the Italian-American Bank when that corporation was not licensed to do a banking business.

When officers arrived at the Myers home at 681 Glisan Street to arrest him, he could not be found. This began a series of events that is faintly reminiscent of an old-time Mack Sennet comedy. But it is comedy only in retrospect; there was nothing comical about it to the Portland Police Department or to the bank depositors. Certainly it was not good comedy to Myers, and to Mrs. Myers it was stark tragedy.

The police department was subjected to a barrage of criticism when Myers could not be located. As could be expected, there were bitter comments from depositors and others as well as threats of physical violence. It was reported in the press that Myers was still in Portland and that he was frequently seen in downtown Portland, but that he spent the nights somewhere in East Portland. It was said that he traveled back and forth between downtown Portland and his East Portland hideout in a for-hire Cadillac; this Cadillac, it was said, was usually parked on Fourth Street between Washington and Morrison streets during daylight hours. The

press reported that one irate creditor had observed Myers in the hired Cadillac eastbound and had pursued him; but after a wild chase over East Portland streets the quarry escaped somewhere in Rose City Park. There was evidence that Myers had spent at least one night in the New Osborn Hotel on Grand Avenue.

But whether Myers was in Portland or not, the police seemed unable to locate him. The Chief of Police announced that two detectives had been assigned the sole task of locating the elusive banker. Perhaps in final desperation, a search warrant was obtained and the Myers residence was searched. One detective was stationed at the front door, another at the back door, while others searched the house. One wonders if the police expected to find him hiding in the attic. At any rate the search was unsuccessful. Mrs. Myers tearfully told the officers that her husband would return and refute the charges against him.

In about a month, Myers was located on a ranch near Big Timber in northern Montana. But he was not located through astute police work but through the carelessness of Mrs. Myers. A neighbor of Mrs. Myers reported to police that she visited with Mrs. Myers and had noticed that she was carrying a letter addressed to a "Frank Nevius" at Big Timber, Montana. The sheriff of Sweet Grass County, Montana, was requested to investigate and if "Frank Nevius" was the missing banker, to arrest him. The culprit was picked up and promptly admitted his true identity and, after waiving extradition, was returned to Portland.

The evidence is nebulous, but it appears that Myers was admitted to bail. The only evidence on this point is that he was returned to Portland in late April or early May of 1911 and on July 3, 1911, was recorded as present at a meeting of directors of the Italian-American bank.[6] It may seem strange that a man who had skipped out and had to be returned from another state would be admitted to bail. Why was he not promptly lodged in jail while awaiting trial? It appears that Myers' age may have been a deciding factor. He was approaching seventy and the court was probably reluctant to order him to jail, particularly since public excitement had subsided.

In October he was brought to trial on the charge of accepting deposits in the name of the Mount Scott bank[7] when he knew the bank to be

[6] But it is not certain that the minutes can be believed. In two cases, these minutes record the election of officers or directors who later denied that they were present, although the minutes show them in attendance.

[7] News accounts of the legal difficulties of Myers appear in the *Oregonian* of Mar. 5, 8, 22, 23, 24, and 30 of 1911, Oct. 5, 1911, Dec. 6, 1911, and Jan. 16, 1912.

insolvent. The second charge of accepting deposits in the name of the unlicensed Italian-American Bank was held in abeyance. Myers entered a plea of guilty; but the court deferred sentence for one month and intimated that if he made sufficient financial restitution so that depositors would not lose, he might then be sentenced and immediately paroled. In the interim, Myers was ordered to jail.

Myers expressed acute disappointment; he said he had been promised immediate parole, although the district attorney denied any such promise. The court was firm, however, and refused to modify the ruling. The idea of jail evidently threw Myers into something of a panic. He physically resisted the officers and had to be forcibly taken to the county jail. In December, he was brought back to court and sentenced to two years in the state penitentiary plus a fine of $1,000. Failure to pay the fine would have resulted in 500 additional days in the penitentiary. But the court still preferred restitution to punishment, and Myers was given an additional month to raise the necessary funds. In the meantime he remained in the county jail.

In January 1912, he was again brought back to court and this time was paroled; he had succeeded in raising $3,750, which was said to be the amount required to insure the depositors in the Mount Scott bank would be fully paid. It is not clear that the depositors did in fact receive all of their funds. The reports of the state banking department do not show the final payment since the liquidation was not conducted by the department. There was some indication at the trial that this amount might not be entirely sufficient, but the court evidently preferred an almost complete restitution to a penitentiary sentence for the aged banker. The benefactor was Daniel G. Sherrett, a master plumber and an ex-member of the Portland city council. Whether Mr. Sherrett was just a "good Samaritan" or whether he received some consideration or repayment is not known.

The charge of accepting deposits in the name of the unlicensed Italian-American Bank was apparently dropped.

What happened to Myers is not known; the name seems to have disappeared from public records. It is safe to conclude, however, that his career as a bank promoter ended in 1911. He did, however, leave a record of sorts. He was, without doubt, some kind of a champion bank incorporator. Probably few men, at least since the heyday of wildcat banking in the nineteenth century, have ever incorporated as many banks as Myers did.

100 PROOF BANKING

unusual methods kept a new bank open in the money panic of 1907

Looking north on Commercial Street from State Street, Salem, about 1907. The Capital National Bank and the United States National Bank are side by side in the middle of the block on the left. The Capital National Bank is the building with the tower.

The United States National Bank of Salem dealt with the problems of public confidence in an individual but positive fashion.

During the years of financial crisis such as 1907, 1920, and 1930-1933, the intangible factor of public confidence in banks becomes of paramount importance. Many a strong bank has been compelled to close its doors because some apparently small incident or miscalculation resulted in a sudden loss of public confidence and an overwhelming run on the bank's resources.

Sometimes on a legal holiday, for example, banks have placed a sign on the door saying, "Bank Closed," and this has been interpreted by the unthinking to mean that the institution was insolvent and in the hands of regulatory authorities. On reopening after the holiday, throngs of terrified depositors have overwhelmed the institution. Indeed, this sort of thing has happened so frequently that bankers associations and regulatory agencies frequently advise bankers never to use such a sign. To indicate a holiday closing it is now standard practice to use such a sign as "July 4, Legal Holiday." This practice is a result of bitter experience.

Sometimes a banker has been observed leaving town on an early morning train and carrying a heavy suitcase. Although such a trip might have been quite innocent and necessary, it could easily have led to rumors concerning the solvency of the bank. If the banker visited a night club, speakeasy, or racetrack, accompanied by a strange woman, doubts of the bank's solvency might be generated even if the woman happened to be his Aunt Matilda from Des Moines.

In smaller towns and cities, especially, the standard of living of the banker and his family was sometimes a critical matter. If, during a period of crisis, the banker blossomed out with a new, expensive car, depositors' suspicions might be aroused. But these same suspicions might have been aroused if he continued to drive a beaten-up jalopy. Bankers must have had the frustrating feeling that whatever they did was likely to be wrong.

It sometimes happened that merely an unfortunate choice of words by a bank employee in the ordinary routine of work caused the trouble. A check might be presented for payment and the teller might have determined that the maker had insufficient funds to meet the check. But if he advised the payee or the person who presented the check that "there was

no money in the account" this might well be misconstrued to mean that the bank's resources were exhausted.

It required only a little while for bankers to learn what not to do in these circumstances. But what positive action to take to maintain and build public confidence in the institution was by no means simple. No standard procedures appeared to be feasible. Each situation was unique.

In the money panic of 1907, the United States National of Salem dealt with the problem of public confidence in an indirect but positive fashion that proved to be quite successful, as we shall relate further on. At that time, the United States National Bank was the youngest of the three banks in the city. The oldest was the well-known Ladd and Bush Bank established in 1868. The Capitol National Bank, established in 1885, was the second oldest bank. The United States National Bank, although sound and profitable, had been in existence only since 1904 and had operated under a national charter for only a few months. It was also the smallest of the three banks.

The so-called panic of 1907 was not accompanied by a business or industrial depression. Lack of adequate data makes it impossible to measure precisely the extent of the decline in general business activity, although it is clear that whatever decline occurred was mild. It was a period of tight money and high interest rates and is accurately described as a "money panic." Very probably a lack of rediscount facilities and the concentration of bank reserves in New York contributed to the banking difficulties of the time. Indeed, the lack of rediscount facilities and the immobility of reserves so apparent during this crisis was perhaps the principal stimulus to the later organization of the Federal Reserve System.

Although money rates had been high for some time, the panic was precipitated in late October 1907, by the failure of several trust companies in New York City. The resultant banking difficulties in New York City soon spread to banks in other parts of the country because of the practice of these banks of maintaining a portion of their reserves as deposit balances in New York. The temporary unavailability of these reserves made it difficult for "outside banks" to meet depositors' demands. Moreover, publicity given the trust company failures in New York led to bank "runs" in other cities.

In Oregon, the difficulties first became acute in Portland, and Portland bankers went to Salem in a specially chartered railroad car to ask Governor Chamberlain for assistance. It is not clear exactly what assistance was requested. There were rumors of a special session of the legislature, but it seems doubtful if bankers requested such a session. In any event, Governor

Chamberlain shortly announced that he did not intend to call the legislature into session. But on October 28, he proclaimed a legal holiday for five days, which was later extended to December 17. This was to provide a "cooling off" period and to allow banks sufficient time to convert their deposits in correspondent banks into cash. Actually, very few banks took advantage of the opportunity for temporary closing. But the holiday did perhaps form a legal basis for limitation of withdrawals and other emergency measures to ration cash.

The Portland banks apparently had more difficulty than upstate banks. The Title Guarantee Trust Company failed and the Merchants National Bank was temporarily embarrassed. The directors of the German-American Bank in Portland announced that the bank would not observe the holiday. They declared that the only holidays recognized by the German-American Bank were "the Fourth of July, Christmas, and Chinese New Year."

The banking crisis was essentially short lived and the banks in many cities met the problem of inadequate cash reserves to meet depositors' demands by the issuance of "clearing house certificates." This process involved the pooling of selected sound assets of the several banks in a clearing house association and the issuance of clearing house certificates on the security of these assets, as well as the guarantee of the several clearing house banks. These certificates were in the nature of private asset currency. Indeed these certificates were in essential respects quite similar to the later Federal Reserve currency. These certificates were in most cases reasonably acceptable to depositors and passed from hand to hand as money.

Not all cities used the device. In some instances, banks within a city could not reach agreement. In others, banks that felt they could easily weather the storm declined to participate, perhaps because they believed they might obtain a competitive advantage in the payment of depositors' claims in "hard money." In other cities where bank resources were quite ample there was no real need for the certificates.

In some smaller cities, banks that were unable to obtain currency or coin from their correspondents in larger centers accepted certificates issued by the banks in these cities in lieu of actual cash. In Springfield, for example, the First National Bank of Springfield was faced with the problem of providing currency and coin for a payroll of the Booth Kelly Lumber Company. It was unable to obtain currency and coin from its San Francisco correspondent and was compelled to accept San Francisco Clearing

House Certificates.[1] These certificates proved to be so readily acceptable that the Eugene banks were persuaded to issue their own certificates.

Banking in 1907 approached the ideal of strictly commercial banking. Bank loans were generally of a short term character and involved the financing of merchandise in the course of production and sale. There was relatively little long term or mortgage credit. This is reflected in the wording of the Portland Clearing House Certificates. The back of a $1 certificate read (in part) as follows:

> This certifies that the banks composing the Portland Clearing House Association of Portland, Oregon, have deposited with the undersigned as a committee of said Association notes, bills of exchange, and other negotiable instruments to the value of one dollar-fifty cents ($1.50) secured by wheat, grain, canned fish, lumber actually sold

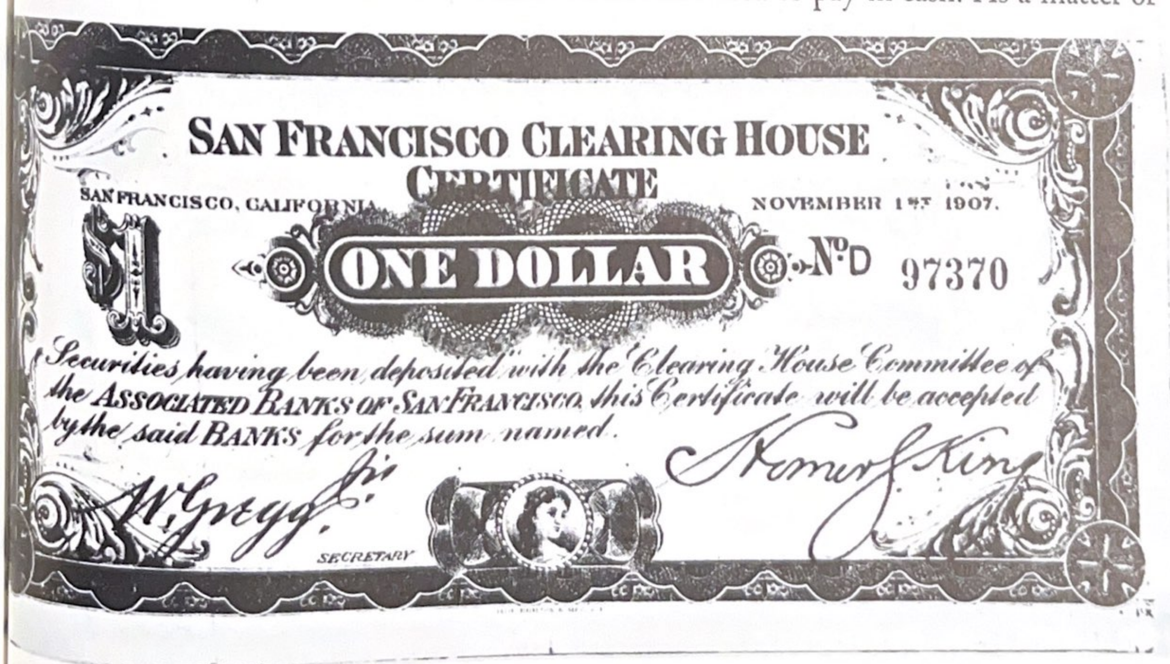
[1] Conversation with Claude B. Washburne, a well-known retired Lane County banker, who in 1907 was assistant cashier of the First National Bank of Springfield.
The widespread acceptability of San Francisco Clearing House Certificates is confirmed in *The San Francisco Clearing House Certificates of 1907-1908* by Carl Copping Plehn. Publications of the Academy of Pacific Coast History, Vol. 1, No. 1 (Berkeley, 1909).

Portland Clearing House Certificate used in the 1907 money panic.

and other marketable products and bonds approved by the committee to secure the bearer of this certificate.

In Salem, the Clearing House Association considered the use of clearing house certificates and the young United States National Bank was asked to consider participation in the program. The board of directors of the United States National Bank considered the problem in a long meeting. The particular matter of concern to the directors was the fact that the bank was the youngest and smallest bank in the city. Fear was expressed that the depositors might come to believe that it was also the weakest bank, especially if it resorted to the use of clearing house certificates instead of cash. It was finally concluded that it was quite probable that the bank might not survive if it ceased to pay cash on demand. It was accordingly decided that the bank would pay out cash on demand as long as any cash remained.

Probably influenced by the refusal of the United States National Bank to participate in the program, the Salem Clearing House Association decided not to attempt to issue certificates. Certainly the other banks would have been at a competitive disadvantage if they had attempted to pay out certificates while the small bank continued to pay in cash. As a matter of



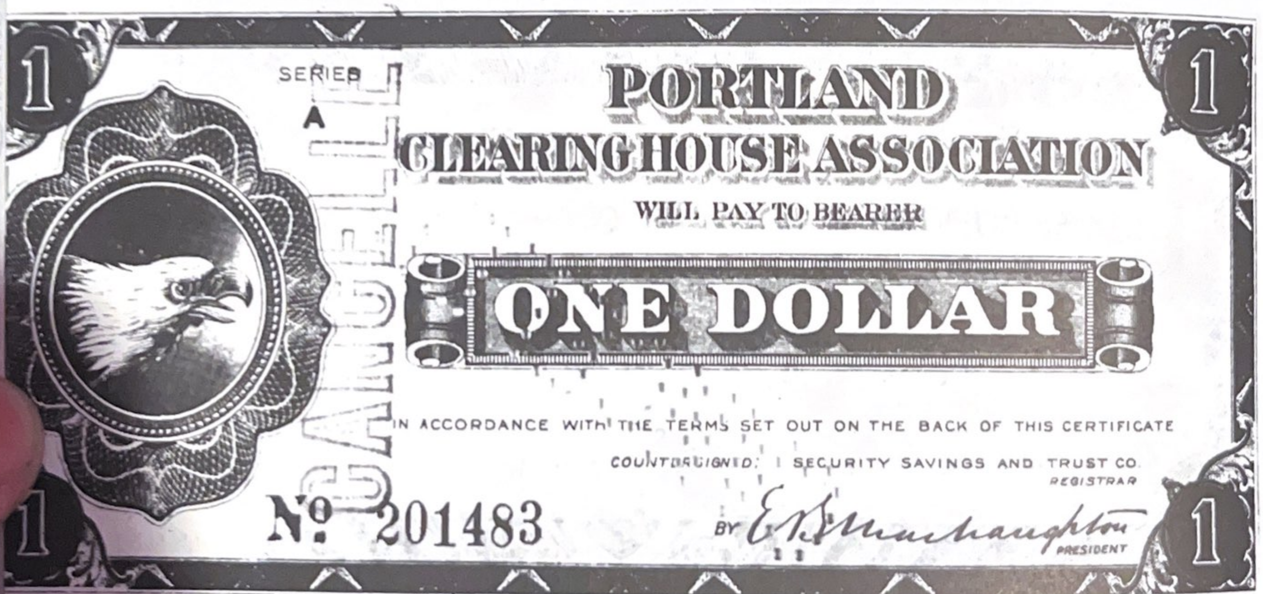
San Francisco Clearing House Certificate, 1907.

fact, the use of clearing house certificates was not general in Oregon outside of Portland. Banks in eastern Oregon continued to pay depositors in cash. In Eugene, there was an issue of $10,000 of clearing house certificates in small denominations. In Roseburg, the banks did not issue clearing house certificates but placed an extra legal limitation of $25.00 per week[2] on withdrawals except in hardship cases. Indeed, the practice of limiting withdrawals was quite general in many parts of Oregon.

But the directors of the United States National Bank were quite aware that the success of the effort to stay on a cash basis depended on public confidence. They were also quite aware that confidence is a frail thing and that it could not be developed or created by repeated and insistent affirmations of solvency and financial strength. Such repeated affirmations might well produce doubts instead of confidence.

The efforts of bankers to maintain confidence was made much more difficult because of the widespread publicity given to the difficulties of banks. The panic developed quickly and seemed to have come to public attention almost overnight. The panic was news, but Salem bankers prob-

[2] James H. Gilbert, "History of Banking in Oregon" in Robert Carlton Clark's *History of the Willamette Valley*, chap. 24, Vol. I (Chicago, 1927).



Portland Clearing House Certificate prepared for use in banking crisis of 1933 but never used, signed by E. B. McNaughton, president of the Portland Clearing House.

ably did not quite appreciate a front page headline in a Salem paper: "All Salem Banks Open."[3]

The Salem press adopted the attitude that the banking crisis was primarily a problem of the large cities and implied that it was a result of overspeculation in these places. Though in some measure this may have been true, the problem was complex. The larger city banks were, without doubt, hard pressed because they held the deposits of smaller banks. The Salem papers apparently found some satisfaction in referring to the problem as the "Portland Clearing House Squeeze." The *Salem Capital Journal* on October 31, 1907 reported:

> There is no money crisis at Salem whatever. There are no speculative financial institutions here of any description. The three banks of the city are all stronger than all their liabilities put together, and there is not the slightest disposition on the part of the people to go wild. All the Salem banks have good reserves in spite of the fact that for several days the Portland banks have refused to ship coin to them.

The directors of the United States National Bank were confident of the solvency of the bank, but they were also aware that it could not survive the concentrated demand of depositors for cash. Neither did it seem to be possible to take any positive action to reassure and calm depositors without running the risk of frightening them.

The United States National Bank did survive the crisis in spite of its youth and relative size. In the opinion of some observers, one of the factors in the maintenance of the necessary public trust and confidence was the excellent personal and business reputation of Mr. J. P. (Jack) Rogers, the president of the bank.[4] Mr. Rogers was not active in the day-to-day

[3] *Salem Capital Journal*, Oct. 31, 1907.

[4] This story was related to me by the late David Eyre of Salem. In 1907, Mr. Eyre was assistant cashier of the United States National Bank of Salem. This bank began business in 1904 as the Salem State Bank, and earlier in 1907 became the United States National Bank of Salem under a Federal charter. Mr. Eyre was assistant cashier of this bank until 1913 when he became vice-president upon the resignation of Mr. S. G. Sargent to become Oregon's state superintendent of banks. Mr. Eyre was president of the United States National Bank of Salem from 1918 until the bank was merged with the United States National Bank of Portland in 1933. The Salem bank was, however, controlled through the United States National Corporation for several years prior to formal merger. Mr. Eyre was vice-president of the United States National Bank of Portland from 1933 until retirement. He was also a director of the bank.

operation of the institution but his connection with the bank was well known. He was widely and favorably known, one of the larger taxpayers of Salem, and a man with large and varied business interests.

Mr. Rogers was not content to merely stand by and trust to the strength of the bank and the reputation of its owners and managers. He was quite aware that confidence in a bank, especially a small bank, is a reflection of confidence in the men who own and manage it. He was also aware that even a strong bank owned by responsible people could be embarrassed if too many depositors want their money at the same time; and he knew that it would do more harm than good to merely stand on a street corner and proclaim the strength of the bank. He determined, however, to make the strength known, but to do so only when justified and indirectly rather than by loud and insistent protestations. His varied business interests included partial ownership in a wholesale liquor establishment located on south Commercial Street, a little distance from the bank. Over a period of several weeks, on days when the bank took in more cash than it paid out, he made it a practice to go to his wholesale liquor store where he would load himself down with as many bottles of liquor as he could conveniently carry. Then he would walk slowly toward the bank, carefully choosing the busiest side of the street. Along the way he would stop at a creamery and add a small pail of cream to his load. As he leisurely made his way along busy streets he would, of course, be met with frequent inquiries. A well-known citizen making his way along busy streets loaded down with as many liquor bottles as he could carry would excite inquiry and comment. But Mr. Rogers apparently did not resent the jibes and comments directed to him by strangers as well as friends. Whenever he encountered an inquiry he patiently set the bottles down on the sidewalk and explained that he had "promised the boys at the bank that every day they took in more cash than they paid out he would set up the drinks." Then he would half-seriously bemoan the expense to which he was being put, explaining that he "hadn't realized what he was getting into," but adding, "a bargain is a bargain."

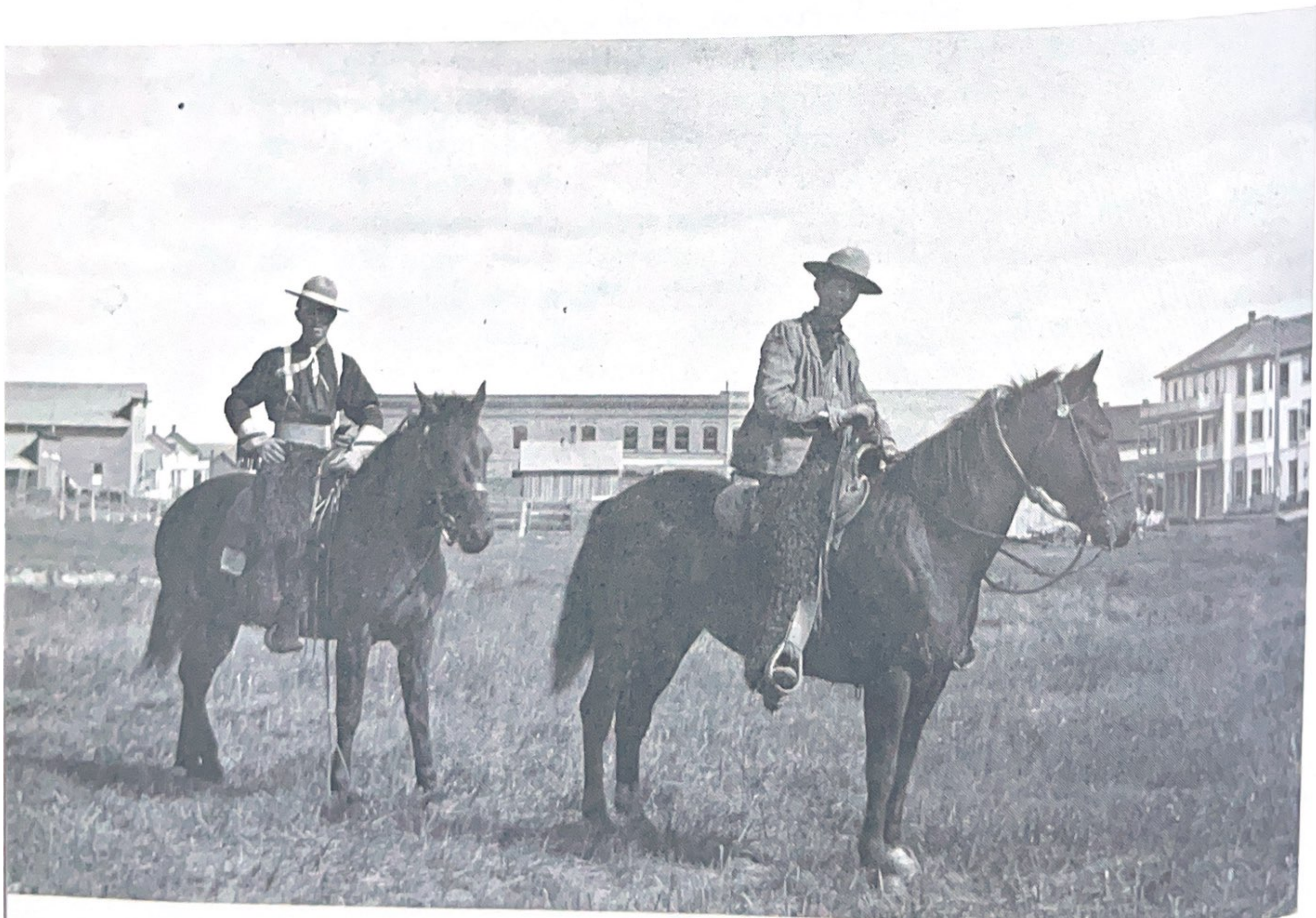
Sometimes one or more thirsty friends would "volunteer" to carry the load. These offers were invariably accepted and the caravan would proceed toward the bank, attracting still more attention and inquiry. The apparently aimless expedition was, in fact, quite carefully timed to arrive at the bank just at closing time. Mr. Rogers, perhaps accompanied by "volunteer helpers," would enter the bank and the doors would be closed. But the curtains were never drawn. Then, with some ceremony and in full view of passersby, the drinks would be prepared and the entire staff would

at least pretend to participate in a drinking party. But the bank staff, even assisted by eager volunteers, could not possibly consume all of the liquor brought by Mr. Rogers; at least they could not if they hoped to get home under their own power. Usually only the contents of one of the bottles was consumed. The remainder would be quietly returned to the store by Mr. Rogers.

It is not now known whether this was a carefully conceived program planned in advance by Mr. Rogers as a means of maintaining public confidence, or whether it developed on an impromptu basis out of genuine promise to "the boys at the bank" with no thought of the public relations impact. Neither, of course, can it be demonstrated that the bank would not have survived anyway. Quite possibly this planned or unplanned public relations venture had little to do with survival. Indeed, it is possible that there was a negative effect. Perhaps the bank survived its difficulties despite this effort to build confidence rather than because of it. Some depositors may have been ardent temperance advocates. If so, it is unlikely that drinking parties in the bank would have served to build their confidence in the institution. One wonders, for example, whether there were local chapters of temperance societies and if they had deposit accounts at the United States National Bank. If so, such accounts might have been withdrawn for reasons other than lack of confidence in the financial integrity of the bank.

INFORMAL BANKING IN CENTRAL OREGON

close relations between customers and bankers in the early years of the twentieth century



Young cowboys of Central Oregon try out their new horses in a field outside Prineville, early in the 1900s.

Mr. Lara reported that one venerable banker prevented a divorce between a rancher and his wife.

A revealing and interesting account of banking practices in Central Oregon during the years of small unit banking has been given by Mr. E. M. Lara.[1] Mr. Lara was cashier of the Deschutes State Bank of Bend from 1909 to 1915; from 1915 to 1917, he was cashier of the First National Bank of Bend. He was a department head in the Federal Reserve Bank of Philadelphia from 1917 until 1929.

In that period, according to Mr. Lara, banking was by no means a cautiously and conservatively conducted business. Loans were made largely on the basis of character since very little in the way of collateral was available. Chattel mortgages on cattle were sometimes taken, but this offered very little real security since cattle roamed the open range and were difficult or impossible to identify. Character was the real basis of lending, and this made it necessary for the banker to know borrowers and their families intimately. Bankers lived closer to their borrowers and watched their activities closely, visited them frequently, and ate and slept in their homes. Indeed, the banker was likely to rate at least equally with the minister, the lawyer, and the doctor, as a confessor and adviser. Bankers advised on every conceivable subject, from the care and feeding of babies to the placing of a mortgage on the homestead. Mr. Lara reported that one venerable banker prevented a divorce between a rancher and his wife. He concluded that the only reason for wanting a divorce arose out of the fact that they saw too much of each other on their lonely and isolated ranch. The banker first tried gentle and persuasive argument which left the couple unmoved. But they abandoned the idea of divorce when he threatened to foreclose a chattel mortgage on their cattle.

Many bank borrowers had insufficient capital and expected bank loans to be renewed almost indefinitely. Mr. Lara reported that one of his customers replied to a notice of a maturing obligation with the request that the bank, "Please extend the note for the future." A similar story, although not one related by Mr. Lara, has to do with a borrower who asked his banker to be permitted to make what he considered to be a slight change in the wording of the note; the printed note form started with the words "on such and such date I promise to pay . . ." He requested that

REPORT OF SUPERINTENDENT OF BANKS 37

BEND Deschutes State Bank

President, B. Ferrell; Cashier, E. M. Lara; Assistant Cashier, F. O. Minor.
Directors, B. Ferrell, E. M. Lara, F. O. Minor.

RESOURCES		LIABILITIES	
Loans and discounts	$ 41,980.33	Capital stock paid in	$ 15,000.00
Overdrafts	208.49	Surplus fund	
Bonds, stocks, etc.	149.40	Undivided profits	4,236.69
Banking house, furniture and fixtures	2,211.42	Dividends unpaid	
Other real estate owned		Due to banks	4,700.00
Due from banks	3,308.90	Demand deposits	25,573.89
Exchange for clearing house and cash items	256.86	Time and savings deposits	1,763.35
Cash in bank	3,892.20	Postal savings deposits	
Expenses paid	5,266.33	Bills payable and rediscounts	6,000.00
		Other liabilities	
Total	$ 57,273.93	Total	$ 57,273.93

Financial statement of the Deschutes State Bank, 1914. From the report of the State Banking Department.

the words "or after" be inserted making the note read "on *or after* such and such date I promise to pay . . ." Without doubt, his suggestion was not followed, although it probably seemed to him to be an entirely reasonable request.

Few of these small and isolated banks held what are now called "secondary reserves," i.e., marketable securities. Bankers were unfamiliar with securities and the isolation of the area made it unlikely that they would be solicited by bond salesmen. Moreover, the great distances and uncertainties and difficulties of transportation made it necessary to hold a substantial amount of their reserves in the form of cash in their own vaults. To get cash, even from the nearest correspondent bank, would require a week or ten days. Loss of interest on their idle cash was made up partly by high interest rates on loans—10 per cent was the customary charge. In addition, small state banks made "exchange charges" which were excessive. Mr. Lara reported that he frequently made nearly the amount of his salary in such exchange charges. This exchange charge was a deduction made in remitting the proceeds of checks written by the bank's depositors, excluding those presented over the counter.

Notwithstanding the relatively large sums held in bank vaults, bank robberies were virtually unknown. Mr. Lara did not remember a single bank robbery during his more than twenty years of banking experience in Central Oregon. This was probably because of the difficulty in getting out of the country with the loot, and the disposition of the people of the area to shoot first and hold the trial later.

There was very little paper money in circulation. The Westerner of that day wanted his money hard and round. Even after the establishment of the Federal Reserve System in 1914, gold coins continued to circulate in the region. Coins were more expensive to ship, and less convenient to

handle than paper, but customers demanded the hard money and had to be accommodated. Even in later times, when paper money was in much wider use, it was unusual to find dollar bills in eastern or central Oregon. There seems to have been no particular question about the validity of paper—no doubt about the faith and credit of the government. Perhaps it was an awareness that gold and silver were produced in the West and a desire to favor home industry. In any event, there is no doubt the people wanted hard money.

The exception to the general rule involved pennies. These were scorned as too small to bother with and few were in circulation. Everything cost at least five cents; merchants did not advertise goods to sell at \$1.99; prices were always in multiples of five cents. When banks cashed checks involving odd amounts, they paid to the nearest multiple of five cents. For example, if the amount was twelve cents, a dime was paid; if thirteen cents, the customer received a dime and a nickle. At the close of the day the difference was, of course, entered in the "over and short" account and was reflected in profit and loss. The pennies that came in were never counted, but put into a canvas sack thrown casually under the counter.

Banks were examined with some regularity, at least after 1907, but the element of surprise in the examinations was almost entirely lacking. Districts were large, banks far apart, and transportation expensive and uncertain. When an examiner came into a district, he had to stay until all banks in the area had been examined. The first bank to be examined might be surprised, but an unwritten code required the first banker to be examined to immediately broadcast the examiner's presence by telephone or by horseback. By the time the examiner reached the other banks of the district, they were, of course, swept and garnished.

[1] "East is East and West is West," by E. M. Lara in *The 3-C Book* for Feb. 1934, Vol. XV, No. 8. *The 3-C Book* was in the nature of a "house organ" of the Federal Reserve Bank of Philadelphia, and was published monthly to reflect the life of the bank and to aid in the education of its employees, especially along banking lines.

The lonely sweep of a wheat ranch in Deschutes County, about 1925.

The UNITED STATES
National Bank di Portland, Ore.

Capitale $ 1,000,000.00
Avanzo e Profitti $ 900,000.00

Tratte a condizioni vantaggiose per tutte le citta' d'Italia

Si eseguiscono depositi presso la

CASSA POSTALE del Regno d'Italia in Roma

Terza Strada e Oak **Portland, Ore.**

Ladd & Tilton Bank

La piu' antica Banca sulla Costa del Pacifico, fondata nel 1859

Capitale $ 1,000,000.00
Avanzo e Profitti $ 600,000.00

Ufficiali: W. M. Ladd, Presidente; Edw. Cookingham, Vice-Presidente; W. H. Dunckley, Cassiere; R. S. Howard, Jr. Asst. Cassiere; J. W. Ladd, Asst. Cassiere; Walter M. Cook, Asst. Cassiere.

Direttori: Edward Cookingham—Henry L. Corbett—William M. Ladd—Charles E. Ladd—J. Wesley Ladd—Frederick B. Pratt—Theodore B. Wilcox.

Interessi pagati su depositi di Risparmio e Certificati di Deposito. Lettere di Credito. Cambio Estero. Check per Viaggiatori. Inviamo vaglia bancari in ogni paese d'Italia dando l'agio piu' alto.

Angolo delle vie Washington e 3a.

Portland bank advertisements in La Tribuna Italiana, 1911.

NATIONALITY BANKS IN OREGON

the Irish, the Scandinavians, and other nationality groups preferred their own banks

A half century ago, nationality banks were common in the United States. The high tide of immigration early in the century brought foreign-speaking groups to many cities, and these groups tended to establish themselves as more or less closely-knit colonies. It was not so long ago that almost all major cities contained areas known as Little Italy, Chinatown, Little Bohemia, or Germantown. Probably two prinicpal factors were responsible for the development of these isolated nationality islands in the cities: the language problem for the recent immigrant was a real barrier to integration; the attitude of native citizens toward immigrants did not encourage assimilation into the new society. To many citizens, these recent arrivals were Wops, Dagos, and Bohunks. Regardless of their skills, they were only considered eligible for the low-paid and unskilled jobs in such industries as construction, railroads, meat packing, and steel.

It was inevitable that business organizations would develop within these colonies designed especially to serve these nationality groups. Many, but not all, of these were owned and managed by members of the colonies. There was, for example, a thriving foreign-language press for many years. In Portland, the *Deutsche Zeitung* was a German language newspaper which was published until World War I. A few years earlier, *La Tribuna Italiana* served the Italian population of Portland. This newspaper ceased publication in 1911. The complete file of this newspaper has been recently added to the special collections of the University of Oregon Library. The principal Portland banks were extensive advertisers in this Italian language newspaper, which would indicate that the Italian colony was thrifty and responsible and its patronage valued.

Included in the business organizations established to serve these nation-

It would be an error to assume that nationality banks were established by persecuted minorities who were unable to obtain banking service elsewhere.

ality groups were banks, as well as other financial institutions. A half-century ago, these hyphenated or nationality banks were located in almost all large cities and in many smaller cities. There were Swiss-American banks, Hibernian banks, Japanese-American banks, Scandinavian-American banks, Italian-American banks, German-American banks, and many others. In some cases, of course, the ownership and management of these hyphenated banks was in the hands of native citizens of the United States who saw an opportunity to profit by providing banking service to citizens of foreign birth. But in many, if not most cases, actual ownership and control was in the hands of members of the nationality group.

Rather happily, almost all of these banks have disappeared. Their disappearance is some measure of the integration of these foreign groups into our own culture and society. Citizens of the United States of foreign birth or descent no longer feel out of place in doing their banking along with other citizens. Probably there have been important changes in the attitudes of native-born citizens toward other citizens of foreign extraction. It is quite likely that the increased mobility of the population has been a factor. A slowing down in the rate of immigration may also have been partially responsible. The change was not accomplished overnight, nor was it accomplished by design.

Examination of the list of banks in the *Moody Financial Manual* reveals only four banks with names that suggest a specific nationality. There is a German-American bank in Jasper, Indiana, and a Scandia-American bank in Stanley, North Dakota; in neither case are officers and directors listed, so we do not know whether there is a nationality bias in the ownership and management of these banks. Indeed, it is by no means certain that a nationality bias could be detected from a list of names of owners and managers.

There is a Hibernia Bank in San Francisco with at least a slight Irish flavor in the directorate. The list includes such undoubted Irish names as Tobin, O'Grady, and Kelly, along with many others whose names offer no clue to national origin.

There is a Hibernia National Bank in New Orleans, but the only distinctly Irish name in the directorate is that of H. X. Kelly. On the other hand, the list includes such clearly un-Irish names as Westfeldt, Zetzmann, Sam Israel, and Isadore Newman.

What happened to these hyphenated banks of a half century ago? No statistical compilation has ever been made, but it seems clear that as citizens of foreign origin become less nationality conscious, and perhaps as other citizens become more tolerant, the nationality appeal becomes less useful. Some nationality banks expanded operations to a point where it became clear that the old name was no longer appropriate. When this happened, the name was changed. The Bank of Italy was established early in the century to serve the Italian colony in San Francisco. The name was retained long after it ceased to properly describe the clientele and business of the bank. It is now the Bank of America, and is the largest commercial bank in the world. In Oregon, the Scandinavian-American Bank of Marshfield became the strong Coos Bay National bank and was eventually merged with the United States National Bank of Portland.

Some of these nationality banks failed; others were merged and in the process acquired a name that did not include a nationality reference; still others were liquidated or their deposits were transferred to other banks. As new banks were established, the nationality reference was omitted. In Oregon, for example, the last nationality bank was established in 1914 (Scandinavian-American Bank of Marshfield).

But it would be an error to assume that nationality banks were established by persecuted minorities who were unable to obtain banking services elsewhere. Few persons familiar with Oregon history would consider the Scandinavians of Marshfield or Astoria as persecuted minority groups. "Persecuting" Scandinavians in Astoria or Marshfield would have been about as rewarding as persecuting the Irish in Dublin. These nationality banks were in no way comparable with past or present Negro banks which have been established by and for a minority group that might otherwise be denied adequate and satisfactory banking services. Nationality banks seem to have been established rather out of pride of national origin and a belief that members of the group would be attracted to a bank with a nationality reference in the name. Moreover, it would appear that many, if not most, of these banks were established where the nationality group constituted a near majority.

There have been at least five nationality banks in Oregon, although none are now in existence. These, with their dates of incorporation, were:

Hibernia Savings Bank, Portland, Oct. 18, 1892; German-American Bank, Portland, Dec. 29, 1906; Scandinavian-American Bank, Astoria, Nov. 20, 1907; Scandinavian-American Bank, Portland, Jan. 8, 1908; and Scandinavian-American Bank, Marshfield, May 5, 1914.

So far as can be determined, these are the only nationality banks that have operated in Oregon. But several other such banks have been incorporated and never operated. These include the German-American Savings Bank, German Commercial Savings Bank, Japanese-American Bank of Portland, the Swiss-American Bank, and the Italian-American Bank. The charters of these banks were ultimately revoked for nonpayment of incorporation fees. But these abortive incorporations were not the result of efforts of nationality groups to establish banks. They appear to have been the product of the over-active imagination of an energetic California promoter who incorporated perhaps as many as thirty banks in Oregon between 1906 and 1908. The banking legislation of 1907 required newly organized banks to secure a license to operate. The legislation became partially effective on May 25, 1907, and fully effective on May 25, 1908. This promoter apparently hoped to profit by selling these bank charters or by actually establishing banks with little or no capital contribution on his part. Indeed, the record indicates that he may have been modestly successful in this effort, although the final outcome was disaster.

But since this bank promotion scheme did not result in the establishment of operating nationality banks it seems inappropriate to include the account here. This story is told separately under the title "Bank Charters For Sale" (page 230).

The earliest of these Oregon nationality banks was the Hibernia Savings Bank of Portland which was incorporated October 18, 1892. It seems possible that there was some connection with the earlier Hibernian Savings and Loan Association incorporated in 1879. It will be remembered that it was the suit of the District Attorney against the latter Association that resulted in the Supreme Court decision that the Oregon Constitution did not prevent the incorporation of banks under state laws, providing the bank's powers did not include the issuance of bank notes.[1] Indeed, it is possible that the incorporation of the Hibernian Savings Bank was in effect a renaming and continuation of the Hibernian Savings and Loan Association. Since statements of state banks are not available prior to 1908, and since no records of the Savings and Loan Association have survived, there is no tangible evidence that the bank was the corporate

[1] See "A Small Matter of a Semicolon," p. 102.

A CONSERVATIVE CUSTODIAN

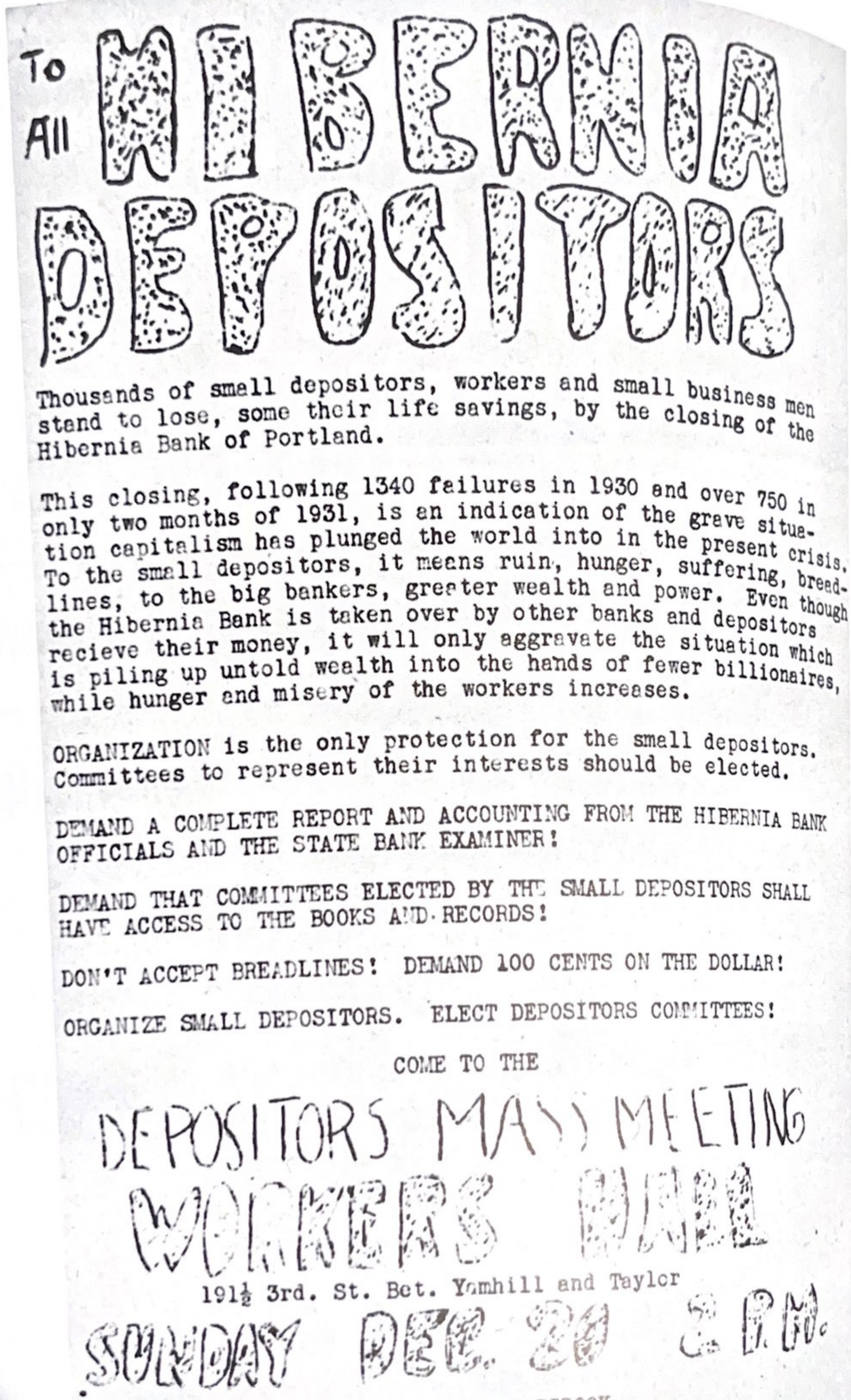
HIBERNIA SAVINGS BANK

Does a General Banking Business

Pays 4 Per Cent on Savings Accounts and Time Deposits

Open for the convenience of the depositor on Saturday evenings from six till eight

Corner Second and Washington
Portland, Oregon



TO ALL HIBERNIA DEPOSITORS

Thousands of small depositors, workers and small business men stand to lose, some their life savings, by the closing of the Hibernia Bank of Portland.

This closing, following 1340 failures in 1930 and over 750 in only two months of 1931, is an indication of the grave situation capitalism has plunged the world into in the present crisis. To the small depositors, it means ruin, hunger, suffering, breadlines, to the big bankers, greater wealth and power. Even though the Hibernia Bank is taken over by other banks and depositors recieve their money, it will only aggravate the situation which is piling up untold wealth into the hands of fewer billionaires, while hunger and misery of the workers increases.

ORGANIZATION is the only protection for the small depositors. Committees to represent their interests should be elected.

DEMAND A COMPLETE REPORT AND ACCOUNTING FROM THE HIBERNIA BANK OFFICIALS AND THE STATE BANK EXAMINER!

DEMAND THAT COMMITTEES ELECTED BY THE SMALL DEPOSITORS SHALL HAVE ACCESS TO THE BOOKS AND RECORDS!

DON'T ACCEPT BREADLINES! DEMAND 100 CENTS ON THE DOLLAR!

ORGANIZE SMALL DEPOSITORS. ELECT DEPOSITORS COMMITTEES!

COME TO THE

DEPOSITORS MASS MEETING

WORKERS HALL

191½ 3rd. St. Bet. Yamhill and Taylor

SUNDAY DEC. 20 2 P.M.

BRING YOUR PASSBOOK

Broadside issued by unhappy Hibernia Bank depositors, 1931.

successor to the Savings and Loan Association.[2] All that can be said is that it is a possibility. But it should be pointed out that Portland city directories back as far as 1885 do not list a Hibernian Savings and Loan Association.

In 1894, Andrew C. Smith was president of the bank, W. S. Mason was vice-president and J. T. Barron was secretary and cashier. None of these names seem to be obviously Irish, although names of the first directors are not available. In later years, such clearly Irish names as Frank Dooley, J. F. Daly, C. F. Reilly and D. C. O'Reilly appear in the management roster. But it should be noted that many persons of Irish descent do not have obviously Irish names. It seems fair to conclude that the Hibernian Bank retained at least some Irish influence, although neither its management or clientele was in any way limited to a single nationality.

Probably reflecting a change in the nature of the business, the name of the bank was changed to the Hibernia Commercial and Savings Bank in 1920.

The Hibernian was at no time a neighborhood bank. From the beginning, it sought the business of the general public and the effort was quite successful. The peak resource of about $8,500,000 was reached in 1928. In this year, there were 25 banks in the Portland area and the Hibernia was fourth in size. It was exceeded only by the First National and United State National banks of Portland, and the Portland branch of the Bank of California. The location of the bank at the southeast corner of Stark at Third Street was near the center of the financial district when the bank was established and for many years thereafter.

The Hibernia Bank was established just prior to the onset of the prolonged business decline of the 1890s. There were many bank failures in Oregon during this period, including several in Portland. The Oregon National Bank, the Union Banking Company, and the Portland Savings Bank failed. The Ainsworth National and the Commercial National closed temporarily but were reopened with an infusion of new capital. In the case of the Commercial National, control was acquired by the Wells Fargo Express Company. Both the Commercial National and the Ainsworth National became part of the United States National Bank of Portland early in the present century. But the Hibernia emerged from this difficult period with its solvency and reputation established.

The money panic in the autumn of 1907 presented difficulties for all

[2] The *Oregonian* files for Oct. 1892, do not contain any account of the incorporation of the bank. But this is not surprising, since local financial news (except bank failures) was apparently not considered to be important at this time.

Portland banks, and the Hibernia along with the other banks used clearing house certificates as a cash substitute for a few weeks, but these difficulties proved to be temporary. The failure of two of the smaller Portland banks during this period did not serve to impair confidence in the Hibernia or in other Portland banks.

The comparatively brief depression of 1920-1922 did no more than to slightly slow the rate of growth of the bank. Total resources grew from $5,900,000 in 1920 to $6,100,000 in 1922 and $6,800,000 in 1923.

But the bank was not able to weather the financial storms that began to blow in 1929. On December 18, 1931, the bank was compelled to close its doors and was taken over by the Oregon State Banking Department for liquidation. Subsequent events, however, demonstrated that the institution was more illiquid than insolvent. For a year the bank remained under the control of the Banking Department, but on December 31, 1932, the assets were transferred to the First National Bank of Portland which then assumed the deposits. Depositors suffered no loss. Though detailed information is unavailable, it may be surmised that stockholders of the Hibernia Bank did not fare equally well. Some of the former officers and employees of the Hibernia became employees and officers of the First National when the banks were merged; Guy Hickok became assistant vice-president and Lansing Stout became assistant cashier, as well as secretary of the Portland Clearing House Association.

If one were to judge only by the names of directors and officers, he would conclude that the three Scandinavian-American banks had a very distinct nationality flavor. Almost all of these names can be identified as of Scandinavian origin. Such names as Hendricksen, Harkson, Eckern, Palmberg, Ekmon, and Mannula are of undoubted Swedish, Norwegian, or Finnish origin. But it is quite possible that these banks appear to have a distinct nationality bias only because Scandinavians are more likely to have names that can be identified with national origin than are the Germans or Irish.

The Scandinavian-American Bank of Portland was established January 8, 1908, and the location was at 248 Washington Street. At that time, this location was at least close to the center of the downtown financial district.[3] It is, then, quite evident that the organizers had no intention of establishing a bank that would attract only Scandinavians. It was clearly intended to be a general service bank appealing to the general population rather than a neighborhood nationality bank.

[3] The United States National Bank was located at 75 Third Street until 1917.

At the end of the first year of operation, the total resources were $265,000 with capital of $100,000; by 1913, total resources had grown to $1,156,-000 and to nearly two millions in 1916. The capital remained the same, although there was a substantial accumulation of surplus.

There was evidently some common ownership between the Scandinavian-American Bank of Portland and the Scandinavian-American Bank of Astoria. For several years, Mr. C. F. Hendricksen was president of both banks and Henry W. Coe was a director of both institutions. There was also at least some common ownership between the Scandinavian-American and the Multnomah State Bank of Lents. Mr. Will T. Wright, who was Oregon State Superintendent of Banks from 1910 to 1913 was vice-president of the Scandinavian-American and president of the Multnomah State Bank.[4]

For reasons that are obscure, the bank went into voluntary liquidation in 1917 and the deposits were taken over by the newly organized State Bank of Portland on June 28, 1917. The bank did not liquidate on account of dwindling business since the resources, as well as the capital, had grown rapidly. We may surmise that some of the management and owners wished to withdraw from the banking business and the most expedient method appeared to be to establish a new bank with some new ownership interests. It is possible that the owners of the bank concluded that it was appropriate to eliminate the nationality emphasis of the name since the bank did have a general clientele. The management and directorate of the new bank had a somewhat diminished Scandinavian flavor, although Anton Ekern of the former bank was vice-president of the new bank and C. O. Olson was a director.

The new State Bank of Portland was located at the northwest corner of Stark at Fifth Street, and apparently was successful in holding the business of the Scandinavian-American and even increasing it. Its resources at the end of 1917 amounted to $2,222,000. By 1920, the capital had been doubled and the resources increased to $3,785,000; the new bank was unable to survive the brief but sharp postwar business decline, and was closed by the State Banking Department on December 16, 1922. In the subsequent liquidation, savings depositors received 80.6 per cent and commercial depositors 69.3 per cent of their claims.

The Scandinavian-American Bank of Astoria was established on No-

[4] Mr. Wright was also president of the Farmers State Bank of North Powder in Baker County at the same time he was president of the Bank of Oregon City. Mr. Wright must have been a very busy man.

vember 20, 1907, with capital stock of $50,000 and a paid-in surplus of $3,500. The roster of officers and directors permits little doubt that the ownership and management was of Scandinavian origin; Gust Holmes was president and C. G. Palmberg was vice-president. The cashier and active manager was J. M. Anderson. The office of treasurer, a position somewhat unusual in banking, was held by Erik Mannula.

At the end of the first year of operation, the total resources were $158,000. From this point, growth was rapid and at the end of 1911 total resources were in excess of one million. During 1912, however, the bank had a substantial setback and at the end of the year total resources were less than half of the 1911 figure. But, at the same time, the capital of the bank increased from $68,000 to $95,000. This increase in capital in the face of such an alarming decrease in deposits and resources could not have resulted from bank earnings. It is much more probable that the extraordinary shrinkage in deposits presented a situation in which the stockholders were either required or felt impelled to contribute additional capital. Subsequent growth of the bank was steady but relatively slow and the 1911 level of resources was not regained until 1917. The last published statement in 1919 showed resources of a little less than two millions, with total capital funds of $135,000.

During 1920, the bank went into voluntary liquidation, but in connection with this liquidation, a new bank, the Columbia Trust and Savings Bank, was established and some new ownership interests introduced. It was, to a certain extent, a reorganization and renaming of the old bank. Mr. C. G. Palmberg, who had been president of the Scandinavian-American bank became president of the new institution and several directors of the old bank became directors of the Columbia Trust & Savings Bank. Assets and deposits were transferred to the new bank on August 9, 1920. The new bank was merged with the Astoria National Bank at the end of 1925.

The most successful of the Oregon nationality banks was without doubt the Scandinavian-American Bank of Marshfield. This bank was not established until May 5, 1914, but, apparently, operations did not begin until 1915 since no statement of the bank is included in the 1914 Report of the Oregon State Banking Department. Total resources at the end of 1915 were only $66,000, with capital of $30,000. The roster of officers and directors, including such names as Olsen, Kaeppler, Paulsen, and Ostlind reflects unmistakably the Scandinavian origin of the organizers.

The bank grew steadily, and in 1920 the total resources were $451,000, although there was only a slight expansion in capital during the period.

But the institution was conservatively managed, and at the end of 1921 was nationalized under the name of the Coos Bay National Bank. This bank easily survived the sharp business decline following the first World War, and grew rapidly during the late 1920s; this rapid growth was apparently accompanied by a sound and conservative lending and investing policy. The financial difficulties of the years following 1929 did not, of course, leave the bank untouched. However, it survived the financial storms without great difficulty and entered a new period of growth in the post-depression years. Its growth was especially rapid in the years following the end of the second World War. The Coos Bay National resisted the merger trend for many years, but finally on January 21, 1956, was merged into the statewide system of the United States National Bank of Portland.

The most ill-fated of the nationality banks was the German-American Bank of Portland. The bank had only a brief existence and although depositors suffered no loss, there is sufficient evidence to support the inference that the stockholders lost heavily. The difficulties of the German-American Bank appear to have been related to a decision made by the management shortly after the organization of the institution early in 1907. This decision was to move into the former quarters of the Oregon Trust and Savings Bank, which had failed, and to cooperate in the liquidation of this institution.

The German-American Bank began operations at Sixth and Alder Street with a capital of $200,000. Mr. Samuel G. Reed (not to be confused with Simeon G. Reed) was president. Mr. Reed was an engineering graduate of the Massachusetts Institute of Technology, and had come to Portland as engineer for the Portland Railway, Light and Power Company. He resigned this position on becoming president of the bank. Thomas C. Devlin was cashier and, subsequently, became receiver for the unsuccessful Oregon Trust and Savings Bank. Several men, later prominent in the business and civic life of Portland, were directors. These included Grant Phegley, Henry Fries,[5] and J. V. Burke. It is somewhat difficult to detect a definite nationality emphasis in the roster of officers and directors, although some of the names are undoubtedly of German origin.

On August 21, 1907, the Oregon Trust and Savings Bank, which was located at Sixth and Washington Streets, failed. In retrospect, the financial position of this bank appears incredible.[6] Almost all of the assets of the

[5] Mr. Fries resigned before the end of 1907.

[6] It should be remembered that Oregon legislation for the regulation of banks was not yet fully effective.

institution consisted of the bonds of the independent telephone systems of Omaha, Nebraska, and Tacoma, Washington, and these systems were only in the construction stage.[7] With the purchase of the bonds, the bank had received an equal amount of the stock of these companies as a bonus. It appeared that the bank hoped to resell the bonds with a bonus of 50 per cent in stock and thus retain the other 50 per cent of the stock as a profit. Moreover, the sellers of the bonds had accepted, at least in partial payment, certificates of deposit of the Oregon Trust and Savings Bank. The matter was further confused by the evidence that one or more of the officers of the bank had shared in the profit on the sale of the bonds to the bank.

It is quite clear that the failure of the Oregon Trust and Savings Bank was not anticipated by the officers of the German-American Bank. In the August 22, 1907, issue of the *Oregonian* there appeared a large display ad of the German-American Bank:

German-American Bank . . . . 6th, Alder
Will Distribute $10,000 or more
See next Sunday's Oregonian explaining the plan.

This turned out to be the best possible illustration of a badly timed bit of financial advertising. In the same issue of the *Oregonian* was the feature story of the failure of the Oregon Trust and Savings Bank, with a picture of the large crowd assembled outside the institution. Regrettably, we shall never know the details of the German-American's promotion scheme "to distribute $10,000 or more." It was quickly abandoned and no mention of the plan appears in subsequent issues.

But the quarters of the Oregon Trust and Savings Bank were superior to those occupied by the German-American Bank. The location was somewhat better, being closer to the center of the financial district; more space was available, and probably more important, the Oregon Trust and Savings Bank had adequate safety deposit facilities which the German-American lacked. In any event, the officers of the German-American Bank were persuaded to enter into an arrangement to cooperate in the liquidation of the Oregon Trust and Savings Bank. We do not know the precise details of this arrangement. It was certainly not a merger, although newspaper accounts referred to a merger.[8] Neither did the German-American

[7] The Oregon Trust and Savings Bank also owned the majority of the stock of The Bank of Drain.

[8] *Oregonian* story of Feb. 12, 1908.

Bank assume the deposits of the failed bank. It was apparently an arrangement whereby the German-American Bank acted as liquidating agent and as the assets were liquidated, or as these assets proved to be sound, an appropriate proportion of the deposits were assumed by the German-American Bank. Mr. Thomas Devlin, the cashier of the German-American, was appointed receiver for the failed bank[9] and that bank moved down the street to the better quarters at Sixth and Washington Streets.

The liquidation of the failed bank was made somewhat easier because the larger depositors, including at least some of the sellers of the independent telephone bonds, accepted these bonds for their deposits. The deposit liabilities at the time of failure amounted to about $2,500,000. At the end of 1907, the State Bank Examiner reported that he had been advised the liabilities had been reduced to $490,000.

But final settlement of the affairs of the failed bank was delayed. There were two criminal actions and these dragged through the courts until early in 1911. The seller of the bonds was acquitted, but the cashier of the Oregon Trust and Savings Bank went to the state penitentiary. Worse yet, from the point of view of the German-American Bank, stories of the criminal trials and the tangled affairs of the failed bank were frequent subjects of news stories—sometimes front-page stories. Under the circumstances, it was probably difficult for the German-American officers to prevent some identification with the failed bank.

As a result of this unfortunate (and inaccurate) identification, and perhaps for other reasons, the German-American Bank did not prosper. At the end of 1908 the total deposits were only $265,000, with a capital stock of $200,000 and undivided profits of $14,000. This capital structure was sufficient to support a bank of much larger size, and without doubt the officers hoped that the new and better location would enable the German-American Bank to grow up to its capitalization. But in spite of the new location the deposits declined. At the end of 1909, deposits were $250,000 and at the end of 1910 had declined to only $212,000. It is apparent that the bank did not operate profitably during these years. Undivided profits disappeared and the final balance sheet in 1910 showed an impairment of the capital. Although the capital was still excessive in relation to the volume of deposits, the officers of the bank were in no mood to continue what appeared to be a losing battle. On February 16, 1911, the deposits were transferred to Ashley and Rumelin, bankers at 241-245 Stark Street.

[9] Not until 1911 did Oregon legislation provide for the liquidation of failed banks by the Oregon State Banking Dept.

The depositors did not lose, but it is quite probable that the stockholders suffered some loss.

The over-all record of these Oregon nationality banks is entirely respectable. Though they were not always successful from the point of view of profits to the owner-stockholders, there is no record of loss to depositors. In a few cases, banks to which deposits were transferred failed in subsequent years. But no depositor in a nationality bank suffered a loss.[10] This is an excellent record in a period when bank failures were common.

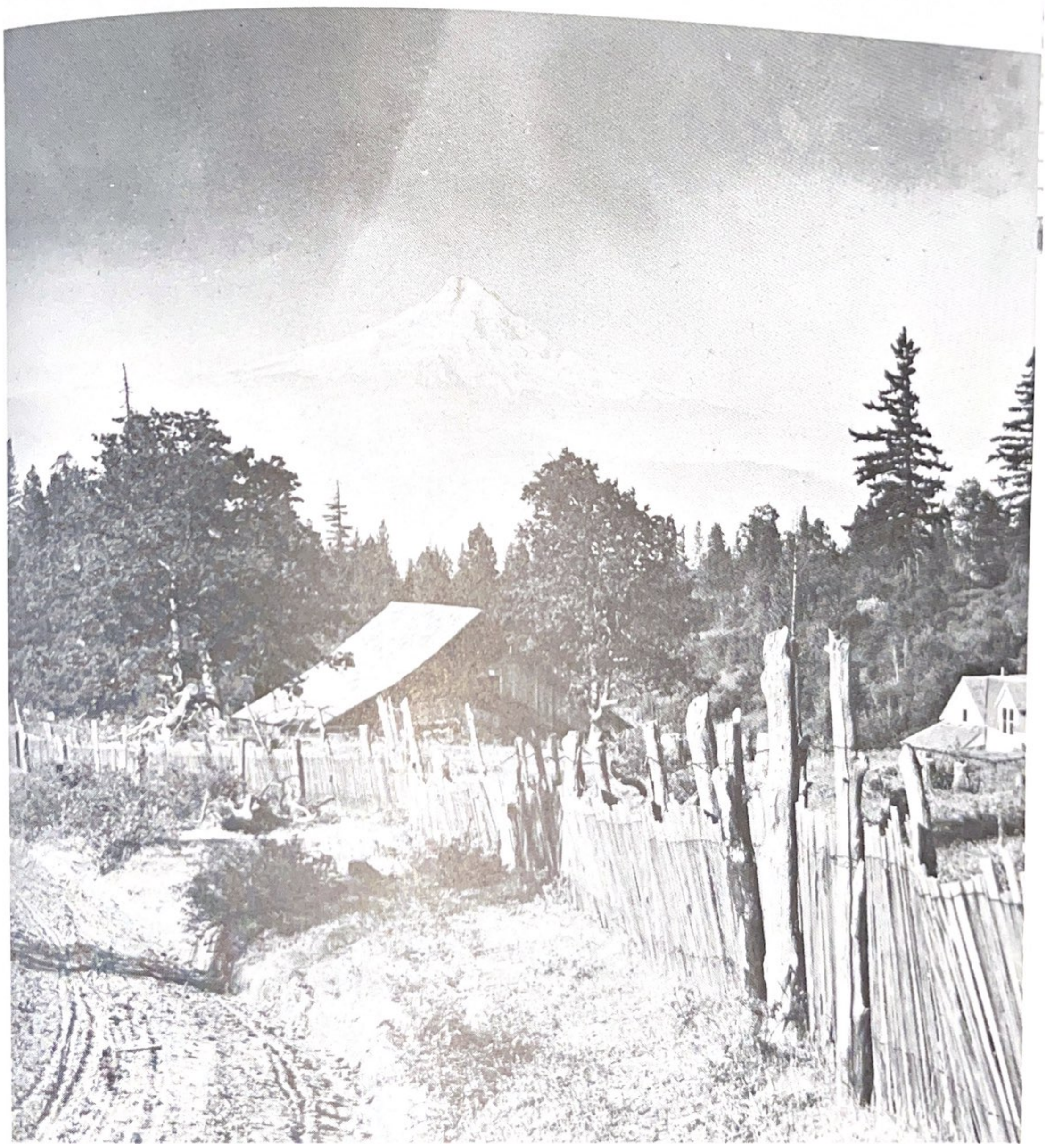
In general, it appears that the nationality banks disappeared as national origin began to be a less significant factor in economic life. The decline of the nationality banks began when the O'Houlihans and the Roarks and the Kellys no longer felt an overpowering urge to maintain a bank account at the Hibernia Bank and when the Jensens, the Lindquists, and the Olsons no longer felt especially attracted to the Scandinavian-American Bank. But in some instances, the decline of the nationality emphasis may have begun when a group consisting of the Lindstroms, the Kellys, and perhaps the Cohens found it convenient to take over the ownership of the local First National Bank.

[10] Deposits in the Hibernia Commercial and Savings Banks were frozen during 1932 but on Dec. 31, 1932, these deposits were assumed by the First National Bank of Portland and were freely withdrawable.

GOLD IN THE WOODPILE

bank vaults of pioneer days were sometimes less safe than the woodpile

Remote homesteads were a typical part of Oregon's informal life in the early 1900s.



A difficult problem in isolated small county banks was the safeguarding of cash.

Not until 1907 were state banks in Oregon subject to examination by state authority. Some of these banks had been incorporated under the general incorporation laws of the state, but many of them were individual enterprises or partnerships, and in these cases, the assets and transactions of the banks were not segregated from those of the owner or owners. Indeed, there was no practical or legal reason why they should have been separated; the owner of an unincorporated enterprise is liable for the debts of the enterprise regardless of the amount of capital he may have assigned to the enterprise in his own calculations. But this sometimes made the problem of bank examination more difficult. Moreover, many of these small banks were in isolated areas, and facilities for safekeeping of cash were inadequate or primitive, even though it was necessary to keep a relatively large amount of cash on hand.

When Mr. S. G. Sargent was a state bank examiner he observed some of the unique banking methods and practices used in small Oregon banks. These methods and practices were not necessarily unsafe, nor unsuited to the times, but they do contrast sharply with present-day banking methods.

The Oregon Regulation Act of 1907[1] required a strict segregation of bank assets, liabilities, and capital from other assets and liabilities of the owners, although the act does not appear to have required banking quarters physically separated from quarters used for other kinds of business. Even if this had been required, interpretation and enforcement would have been difficult. But examiners attempted to persuade bank owners to establish separate quarters for the banking enterprise.

Nonetheless, many small banks continued for several years to be operated in a corner or across one end of a general merchandise store, or perhaps in a real estate office. In the case of the C. C. Beekman Banking House in Jacksonville, the bank and the Wells Fargo Express Agency were operated in the same quarters. In the later years of the enterprise, after the decline of Jacksonville as a gold mining center, most of the space

[1] Chap. 138 O.L., 1907.

The smithy was important to Oregon economy even after the automobile arrived.

was required for the operation of the bank; it is reasonable to suppose, however, that in the early years of the enterprise, in the 1850s and 1860s, most of the space was required for the express business. In most of these early banks, private bankers did not suddenly become bankers. It is quite probable that sometimes men became bankers without planning to do so. In Lakeview, for example, Bernard Daly was a pioneer doctor who early in his career found it convenient and profitable to lend his surplus funds to businessmen and ranchers at high interest rates. At some point, friends and associates began to entrust their funds to his care, which is merely another way of saying that he began to accept deposits. It is doubtful that Dr. Daly could have determined precisely the date on which banking operations began. In 1898, he incorporated the Bank of Lakeview, but this corporate entity merely continued the banking enterprise of Dr. Daly. It is quite probable that at some time the banking business was operated in Dr. Daly's medical office. Even after formal incorporation, the separa-

tion of facilities was little more than nominal; Dr. Daly lived upstairs, and the banking quarters were downstairs.

It has been noted that a difficult problem in isolated small country banks was the safeguarding of cash. These small banks found it necessary to maintain relatively large cash balances; at the same time, facilities in the way of vaults and safes were quite inadequate. How some small banks attempted to solve this problem has been related by Mr. Sargent.[2]

In one bank examined by him, the cash was found to be exactly $5,000 short. This was a distinct shock to the banker. After a second and third count had not changed the result, the banker said, "Oh, I know where it is; come with me." In a woodshed, at the rear of the little bank building, he busied himself lifting wood from a huge pile, and from the center of the pile, pulled out a sack containing the missing money in gold twenties. He explained that the bank had only a small safe, which he knew was not burglar proof. He believed that a burglar would never think of looking in a wood pile for the bank's money, and if the safe were blown, the bank would save at least some of its money. Even if the woodshed were destroyed by fire, the gold bullion would remain.

[2] Mr. Sargent was State Superintendent of Banks from 1913 to 1918.

Horses and livery stables made travel possible for the bank examiner and businessmen.

In other cases, Mr. Sargent found the combination to the safe written on a piece of paper and displayed in a prominent place on the safe, where it would be seen by a burglar. The explanation was that since the safe was clearly not burglar-proof, if the burglar had the combination he would not blow the safe, and at least the bank would still have its safe intact. All this would seem to be quite true if the burglar were a professional, and had the necessary equipment to blow the safe. But displaying the combination in a prominent place left the bank vulnerable even to the casual, unprofessional prowler.

In another small country bank, Mr. Sargent counted the cash and found it nearly a thousand dollars short. When the cashier's attention was called to the matter, he glanced around the lobby mysteriously to be sure no one was in hearing distance and in a whisper said, "Wait a minute, and I'll get it for you." He then stepped over to an old table, stacked high with papers and books, and out of the debris picked up a cigar box containing several hundred dollars in gold. A similar amount was found under the fuel in a wood box; but when a new balance was taken, the cash was still short a small amount. The cashier was much concerned for a minute or two. Then a smile came over his face, he rushed over to the stove, opened the door, and from under the cold ashes pulled out a coin sack, and the contents of this sack exactly balanced the cash. He explained that in his opinion the cash would be safer almost anywhere than in the "safe." After examination of the "strong box," the examiner agreed with this opinion.

In rare instances, efforts by bankers to "doctor the books" were uncovered. The act of 1907 required state banks in towns of less than 50,000 population to maintain cash reserves equal to 15 per cent of demand deposits and 10 per cent of time deposits. At least one-third of these cash reserves were required to be kept in the bank's own vault; the remainder might be kept in the form of deposits in other banks. One of the responsibilities of the bank examiner was to check the reserve position to determine whether this minimum required reserve was being maintained.

In one small bank examined by Mr. Sargent, the reserve appeared to be ample, although the greater part of it was in the form of deposits in correspondent banks. But these deposit accounts were found to be out of balance. Cancelled vouchers agreed with the stubs in the registers, and debits and credits for remittances sent and received checked with the statements from the correspondent banks. After considerable checking and questioning of the cashier, it developed that whenever his legal reserve fell below the required amount, he made it up by deferring the credit entries of the larger drafts drawn against correspondent banks. When the

reconciliation was completed, it was clear that correspondent balances were almost zero; almost the only reserve the bank had was the cash in its own vault.

This practice not only served to overstate cash reserves, but also net worth in the form of undivided profits. The examiner believed that the banker was merely naive and inexperienced, and innocent of intent to violate the law. No action was taken other than advice that the law had been violated and that the practice must not continue.

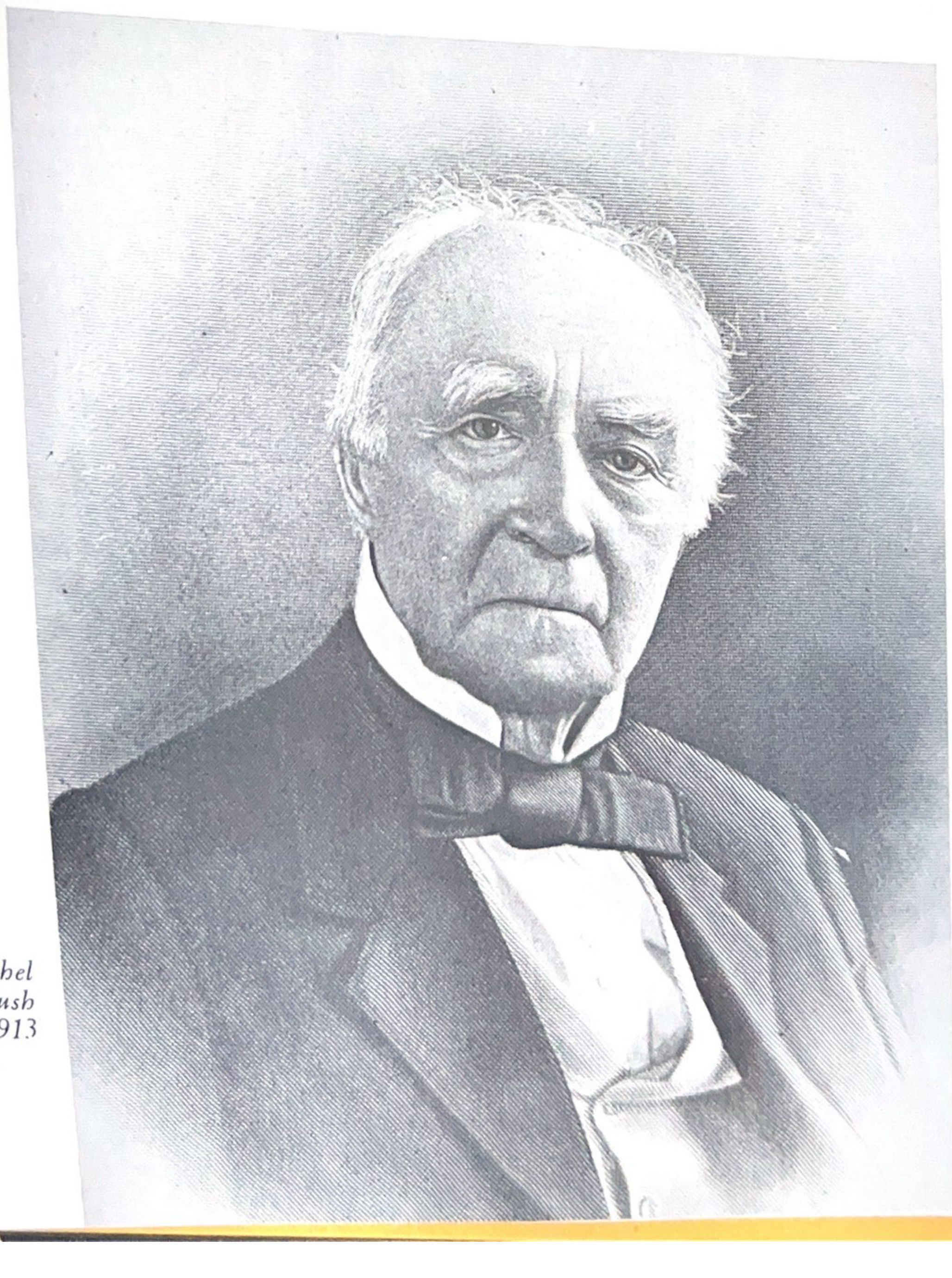
With the great advantage of hindsight it is now possible to question the examiner's judgment that the banker was merely naive and inexperienced, and innocent of intent to violate the law. The bank failed seven years later, and this banker was convicted of fraud and falsification of bank records. He was sentenced to ten years in the state penitentiary. Moreover, it was rather a bad failure. It was ten years before liquidation by the State Banking Department could be completed and depositors received only slightly over nine per cent of their deposits in the liquidation.

Mr. Sargent has reported his experience in examining the Beekman Banking House of Jacksonville. It was the policy of the State Banking Department not to permit the examiner to review previous examination reports of the banks, since it was thought that the examiner could be more effective if he were not influenced by the previous examiner's report.

When Mr. Sargent began examination of the Beekman Bank, he started immediately to count the cash, without reviewing the daily balance sheet. When the cash count reached $90,000 he began to wonder how large a bank he was examining, since the usual reserve in the form of actual cash in small town banks was much less than this. When he consulted the daily balance sheet, he discovered that deposits amounted to only $70,000. When Mr. Beekman was asked for an explanation, he replied, "Why I never lend the bank's money." Either some of Mr. Beekman's resources were kept in the bank's vault, or the bank's cash reserve was more than 100 per cent of the deposits. It was probably the latter since this was only a short time before the bank was liquidated. Mr. Beekman was evidently arranging the affairs of the bank with a view toward liquidation.

A BANK WITH PERSONALITY

unusual business methods and strange goings-on at the Salem Ladd & Bush Bank



Asahel Bush 1824-1913

The founder of the bank was a politician in a period when political opponents were considered to be depraved enemies of the people.

Bankers have long been concerned with building and maintaining good public relations and this concern existed long before the appointment of the first "vice-president for public relations." The establishment of a favorable "public image" was an objective of management policy long before the term came into general use.

But it must be admitted that few banks have personality. Public relations men may so guide the policies of the bank that the public will come to accept the institution as a good place to do business and largely dissipate the mausoleum image of banking. The quip that a banker is a fellow who will lend you an umbrella provided you can prove it is not raining is not now taken seriously. But this does not mean that banks have become so individually differentiated that they can be said to have personality. An institution can have personality only when it is identified in the public mind with an individual, usually an individual with distinctive characteristics. In Jacksonville, for example, the Beekman Banking House had personality in the sense that it was identified with the strong personality of C. C. Beekman. This institution was widely referred to as "old Beek's bank." In much the same sense the First National Bank of Albany was "John Conner's bank." In most of these banks, the personality or unique character of the institution did not long survive the founder.

The Ladd and Bush Bank of Salem retained for decades after the passing of the founder, a certain unique character that might be called personality. Indeed, this unique character was so evident that when the bank was acquired by the United States National Bank of Portland in 1940 it did not become the Salem branch of the Portland bank as might have been expected; rather, it was identified and continues to be identified as the Ladd and Bush branch of the Portland institution.

It is not easy to understand the reasons why this institutional personality has persisted so long. Asahel Bush, the founder of the bank, was not trained or experienced in banking. He was a newspaper editor in the days of "personal journalism" and he was a politician in a period when political opponents were considered to be depraved enemies of the people. He was a man of strong opinions and quite uninhibited and highly articu-

late. Most men were not neutral about Asahel Bush. Rival paper editors sometimes referred to him as "Ass of Hell" Bush. He trusted his friends and did not fear his enemies.

When he became a banker in 1868 he did not become a different man, and his behavior probably seemed to be quite unbankerlike. Though his lending standards were high, he had no great respect for some of the banking conventions. He was not a stuffed shirt; if a customer brought in a check written on a shingle, it would be honored without hesitation. He was the kind of banker and the bank was the kind of bank about which legends grow. Mr. Bush did not attempt to discourage these legends. He was an experienced politician and was apparently quite aware that such legends were valuable so long as they did not reflect on the solvency of the bank.

Sometimes a highly individualistic and nonconforming head of an enterprise chooses to surround himself with a group of agreeable "yes" men. But Mr. Bush elected to employ men who were as individualistic and nonconforming as himself. Without doubt, this served to perpetuate the unique character of the institution after the death of Mr. Bush in 1913. Mr. Bush was an ardent and vocal Democrat, but Republicans were not barred from employment in his bank. The late Oswald West, who was governor from 1911 to 1915, was employed in the Ladd and Bush bank in 1888, and recalls[1] that Claude Gatch, a fellow employee and father of the famed Admiral Gatch, was a very mild man; but if goaded beyond endurance would refer to an adversary as a "damned Democrat."

Perhaps Mr. Bush did not encourage, but at least he did condone, a modest amount of horseplay and practical joking among employees. Some of these episodes became generally known and served to build the unique personality of the bank. The late William S. Walton, who was to go on to a distinguished business career, has recalled[2] that when he went to work in the bank shortly before the turn of the century he was given an assignment that was the banking equivalent of sending the shop apprentice for a "left-handed" monkey wrench. The young Mr. Walton was handed a past-due promissory note signed by a Salem woman and given instructions to collect it. He proceeded to the address indicated on the note, and discovered to his embarrassment that it was a local brothel and the maker of the note was the madam of the establishment. Whether or

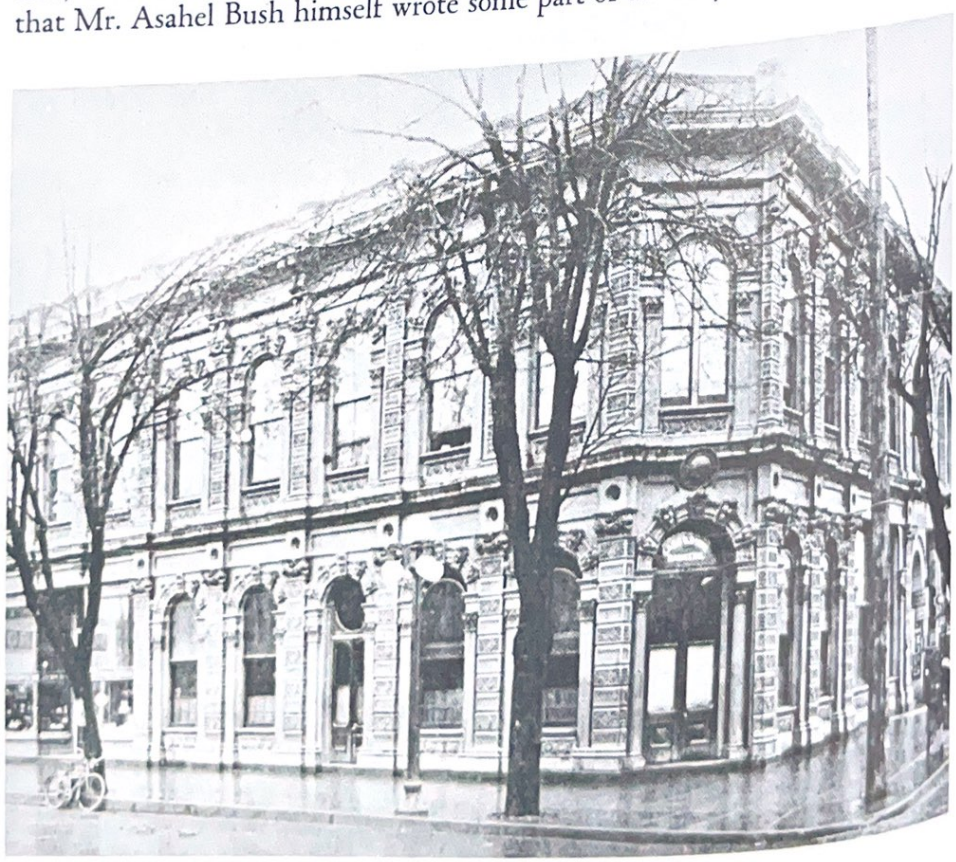
1 In a letter to the *Oregonian*, Jan. 20, 1944.

2 According to Mr. Floyd Bowers of Bowers, Davis and Hoffman, Certified Public Accountants, who was co-executor of the Walton estate.

not he was able to collect the note is unknown, but in any event he returned to the bank and to the inevitable unkind questions and ribald comments of fellow employees.

An illustration of a bit of horseplay in which at least a few of the bank's customers participated was reported in the *Ladd and Bush Quarterly* for November, 1912.[3] This incident occurred in 1885. Mr. Dee Howard was the owner of a butcher shop located not far from the bank, on State Street. He employed a meatcutter and general assistant by the name of Oliver Higginbotham. One Saturday afternoon Mr. Howard came to the bank with a bag of silver coins to deposit. He stacked the coins up on the open

[3] This breezy and informative house organ was published from July 1912 through Jan. 1917. It contained anecdotes from the bank's history, stories of local industries, useful bits of advice on how to write a check or how to sign for a corporation, as well as interesting items of local and Oregon history. There is evidence that Mr. Asahel Bush himself wrote some part of the early issues.



Ladd and Bush Bank, Salem. Note the similarity of this structure to the Ladd & Tilton Bank building at First and Stark streets in Portland.

William S. Walton, 1884-1954. Mr. Walton was associated with the Ladd and Bush Bank from 1899 until its sale in 1940. Subsequently, he was a vice-president and director of the United States National Bank of Portland.

counter and called to Claud Gatch to check his deposit. The sharp-eyed banker immediately detected something queer in one stack of dollars; he removed from the stack and returned to Mr. Howard a lead dollar that was almost black and twice as thick as a silver dollar. It was a crude counterfeit and moulded quite imperfectly. Mr. Howard did not protest, but he was indignant that his assistant Oliver Higginbotham should be so gullible as to accept such a crude counterfeit. He remarked with disgust that "anything can be passed on Oliver." When the deposit was completed Mr. Gatch, with a twinkle in his eye, asked to have the bogus dollar returned to him in order to see if he could pass it on Oliver. The meat-market owner welcomed the opportunity to test the gullibility of his meatcutter, and the two men agreed on the timing of the attempt to pass the bogus dollar on the too trustful employee. Probably Mr. Howard wished to use the incident to impress on his helper the need for careful scrutiny of coins. In any case he must have advised friends of the plan to test the gullibility of his assistant for several of them were waiting in the meat market when the two men arrived. The banker selected a dollar roast which was then wrapped by Oliver, the trusting meatcutter, who tossed the lead dollar into the till without looking at it. After the group enjoyed a laugh at the expense of Oliver, and after the banker had paid for his meat with a silver dollar made by the United States Mint, the proprietor took the bogus dollar from the till and proposed to test the gullibility of the bartender in the nearby alley saloon. The barkeeper was as gullible as Oliver, and the bogus dollar went into the saloon till without question or examination.

The proprietor of that alley saloon must have been a man of religious convictions; that is, it would be more accurate to say that there is some evidence that he went to church on the following Sunday. On Monday morning, a prominent Salem minister attempted to deposit the bogus dollar but was informed by Mr. Gatch that it did not quite qualify as a coin of the realm.

It was inevitable that such a bit of horseplay would get around and become a subject of conversation, especially in the business community. The term "public image" was probably unknown in 1885, but this episode and others like it must have contributed to the general public attitude toward the bank that might now be termed public image or corporate personality.

The managers of the Ladd and Bush Bank and its successor, the United States National Bank of Portland, have been wise enough to preserve the external architecture of the original building constructed in 1868 at the

corner of State and Commercial Streets. Without doubt, this has been an important factor in maintaining the image and personality of the institution. The operating methods of the institution are by no means ancient and the interior of the building is modern and has been remodeled more than once. When it became necessary to enlarge the building, the addition was constructed in the modern style. But no attempt was made to "modernize" the exterior of the old structure. This wise decision to leave a little bit of history has served to preserve the aura of integrity and personal and informal banking service that is associated with the pioneer institution

Asahel Bush came to Oregon on a political mission. He had been a printer, and in 1850 was editor of the *Westfield* (Massachusetts) *Standard*. He attracted the attention of Mr. Samuel R. Thurston, who was Oregon territorial delegate in Congress. Mr. Thurston had been elected in a non-partisan election, although he was in fact a staunch Democrat. But he was also a Methodist, and most Methodists were Whigs. Mr. Thurston looked forward to reelection, and he feared that if he became too clearly identified as a Democrat he would lose some of the Methodist support he had enjoyed in the previous "nonpartisan" election. Moreover, he had heard rumors that a Whig newspaper was to be established in the Territory. These rumors were solidly grounded in fact. The *Oregonian*, the Whig paper, shortly began publication. Mr. Thurston decided to establish a Democratic paper in Oregon which would support his candidacy, but to keep secret his connection with the paper in order not to unduly antagonize his Methodist and other "nonpartisan" supporters.[4]

He employed Asahel Bush and made arrangements for him to leave for Oregon, and for the purchase of a suitable press and necessary supplies. Mr. Bush left for Oregon Territory in July 1850, by water and arrived in Oregon City on September 30, 1850. Then followed a long wait for the press that had been shipped around Cape Horn. During this waiting period, the young Mr. Bush proved his political skills. He became clerk of the House of the Oregon Assembly. The same Assembly elected him as Territorial Printer.

The financial arrangements between Bush and Thurston are not entirely clear. From Thurston's letters, it appears that the territorial delegate selected and perhaps financed two associate (Russell and Stockwell) in the

[4] The story of the establishment of the *Oregon Statesman* and the roles of Thurston and Bush in its founding may be found in many Oregon histories. The background of the story is contained in his diary which was published in the *Oregon Historical Quarterly*, XV (Sept. 1914), 153-205.

enterprise, although he did not contemplate that either of these associates would have any control over either editorial or financial matters. But Asabel Bush did not wish to have his authority diluted even a little bit, and so with the consent of Thurston he bought out the interests of these men. Mr. Bush was apparently not unhappy about the silent (or secret) partnership with Thurston, because their political views were harmonious and because Thurston was not in a position to interfere with his management of the enterprise. Thurston desired for political reasons to keep his interest in the paper a secret; but secrets are hard to keep, and it is clear that some knowledge of his interest became known. In a letter marked "confidential" Bush wrote to Thurston in part as follows:

> It has been noised all about here that the Statesman was not to be a democratic paper merely, but your organ . . . and a good deal of jealousy exists all about, and particularly among the Yamhill democrats; and I shall have to be very careful not to excite or strengthen this jealousy . . . [5]

The first issue of the *Oregon Statesman* came off the press at Oregon City in March 1851. But the weekly Whig organ, the *Oregonian,* had started publication nearly four months before. Unfortunately, Samuel R. Thurston did not live to see even a single issue of the paper; he died at sea off Acapulco, Mexico, on April 9, 1851, twelve days after the first issue came off the press.

That the *Statesman* was controlled or at least greatly influenced by Samuel R. Thurston was certainly no secret. This is indicated by the answer of the editor of the *Oregonian* to an inquiring reader which appeared in the issue of April 12, 1851.

> Silver Creek, Marion Co.
> March 23
>
> Mr. Editor:
> You will do me a great favor by answering the following question in the next Oregonian.
>
> 1st. Does the Territory belong to the Honorable Samual R. Thurston?
>
> 2nd. Do all of the American people of this territory belong to the Honorable Samual R. Thurston?

[5] Bush to Thurston, Jan. 27, 1851.

3rd. Is Samual R. Thurston responsible for the acts of the people of the territory?

4th. Have the people a right to memoralize Congress to convey town lots to individuals without the consent of the Honorable Samual R. Thurston?

A Citizen of Silver Creek

Can't say. Ask the young gentleman who prints Mr. Thurston's paper. He knows everything. He has been to college; Yes, he has; and since he is a nice, truth-telling young man, he can't lie; No, he won't unless his master tells him to, and then, Oh! What a whopper.

If Mr. Thurston had lived, he might not have approved the vituperative personal journalism of the young Asahel Bush. The territorial delegates had written Bush on January 27, 1851: "Be extremely careful to have your paper dignified with chaste and gentlemanly language."

But chaste and gentlemanly language was not an attribute of Oregon newspapers in the 1850s, and Asahel Bush was well able to hold his own in this battle of invective. In the issue of June 22, 1854, he referred to Thomas Dryer, editor of the *Oregonian,* in unflattering terms:[6] "The Oregonian man is the most unvarying liar we have ever met with. He so seldom tells the truth, even by mistake, that we are inclined to make a special note of the fact when he does."

The *Statesman* of the previous week had included this hardly unbiased appraisal of a recent issue of the rival *Oregonian:*

> There is not a brothel in the land that would not have felt itself disgraced by the Presence of the Oregonian of week before last. It was a complete tissue of gross profanity, obscenity, falsehood, and meanness. And yet it was but little below the standard of that characterless sheet.

In June 1853, Bush moved the *Statesman* to Salem and his influence grew rapidly. It is probable that in the pre-civil war period Asahel Bush was the most powerful man in the territory. He was the recognized spokesman for what was called the "Salem clique" which controlled Oregon politics during these years. Members were Bush, J. W. Nesmith, Matthew P. Deady, Delazon Smith, B. F. Harding, and others. This group was

[6] George S. Turnbull, *History of Oregon Newspapers* (Portland, 1939) p. 83.

generally anti-secession, and in the years immediately preceding the war, in sharp conflict with the Lane wing of the party. It was the issue of slavery that finally broke up the clique and, indeed, split the party.

Mr. Bush continued as owner and editor of the *Statesman* until 1863. Whether the sale of the newspaper was associated with the death of Mrs. Bush in the same year is not known. In any event, he retired from active business until 1868, when with W. S. Ladd he established the Ladd and Bush Bank.

Mr. Ladd was a partner in the pioneer Ladd & Tilton Bank of Portland, which was established in 1859. In 1868, it was announced that Mr. Ladd and Mr. Bush were to start a bank in Salem. This bank was a private (unincorporated) bank set up as a simple partnership between the two men. In fact, banks in Oregon were not required to be incorporated until 1925. A site was selected at the corner of State and Commercial streets; the lot was 25 feet by 75 feet. The first step was the digging of a cellar 25 feet square which was utilized to store the stove wood. Then the building was constructed, and this building is still in use, as reported above. The interior has, of course, been remodeled and expanded, but the exterior remains much as it was when it was completed in March 1869. The pioneer Salem bank opened for business on March 29, 1869. The opening date had been set for April 1, but this was moved up because Mr. Ladd considered that it would be a bad omen to start a bank on April Fool's Day.[7]

Not very much is known about the operation of the bank in the early years, since private banks and state-chartered banks were not subject to regulation in Oregon until after 1907. The financial statements of national banks beginning in 1864 are available in the reports of the United States Comptroller of the Currency. But the data for the Ladd and Bush Bank is limited to that available from old bank directories and covers only capital, surplus, and undivided profits, and sometimes deposits. We do know that the capitol of the bank was $50,000 when it began operations and that on the day the bank opened four customers deposited $1,450, and that nine loans were made at the rate of 12 per cent, collected in advance. In 1889, deposits were $886,165.[8]

The new Salem bank was in no sense a one-horse country bank. The capital was adequate for the establishment of a national bank. We may suppose that Asahel Bush preferred to operate a private bank rather than

[7] *Ladd and Bush Quarterly*, July 1912.
[8] From a brochure issued in 1959, "Salem's Banking Corner for 90 Years."

a bank with a national charter because he did not wish to be annoyed with bank regulation and examination. The Rand McNally *Bankers Directory* for 1887 shows capital of $250,000 and surplus of $90,000; the undivided profits account and deposits are not shown. It is interesting to note that in terms of capital, the Ladd and Bush bank was larger than seven out of nine Portland banks. Only the First National Bank of Portland and Ladd and Tilton were larger.[9] Another measure of size is the number of employees. In 1888, there were nine employees including "China Joe," the janitor and general handy man. This staff of 1888 also included the youthful Oswald West, who was to go on to a distinguished career in public service, and to serve as governor from 1911 to 1915.

The bank came into the sole ownership of the Bush family on January 1, 1883.[10] Perhaps this was sought by Asahel Bush because his son A. N. Bush was ready for additional responsibility. The partnership interest withdrawn was that of Ladd and Tilton, although Mr. Tilton had withdrawn from the Portland firm three years earlier. The Portland bank still carried the old familiar Ladd and Tilton name, although the two partners were William S. Ladd and his son William M. Ladd.

In the period of joint ownership with Ladd and Tilton, Mr. Bush was in control of day-to-day operations, and undoubtedly Mr. Ladd was content to permit him to set policies and make major decisions. But after his acquisition of complete ownership there was no question about it; regardless of the name, the bank was "Mr. Bush's Bank." Until his death on December 23, 1913, his principal concern was the bank, and even in his later years he rarely failed to be in the bank on every business day.

His interest in the bank did not mean that his political convictions were any less intense than in the days when he was a crusading editor. He, along with Nesmith, Deady, Benjamin F. Harding, and others of the "Salem clique," were ardent admirers of Andrew Jackson. They shared his distrust of central banks and centralized financial power. When the National Bank Act was before the Congress in 1863, Senator Nesmith was finally persuaded to vote for it only after lengthy argument. The Senator was disposed to view the term "national bank" in terms of Nicholas Biddle and the Bank of the United States (1816-1836) which had been opposed and destroyed by Andrew Jackson.

[9] This excludes the Portland branch of the Bank of British Columbia since the capital shown was for the system and not just the Portland branch.
[10] *Ladd & Bush Quarterly*, July 1, 1912.

A measure of Mr. Bush's devotion to Andrew Jackson is to be found in his custom of commemorating the anniversary of his victory at the Battle of New Orleans on January 8, 1815. On January 8 every year, the flag was raised from sunrise to sunset to celebrate this historic (but futile) victory. Moreover, this custom continued for some years after the death of Asahel Bush. The *Ladd and Bush Quarterly* for January 1916, notes this commemoration:

> Following the many years' example set by Mr. Bush, on January 8 of this year we had our flags raised from sunrise to sunset, a token to General Jackson in memory of the battle he won at New Orleans on that day in 1815. Peace had already been declared, but it was before the days of steamships and telegraph and it was not known to the combatants.

Associates of A. N. Bush believe that this anniversary was observed by the Ladd and Bush Bank every year until 1940 when the bank became a branch of the United States National Bank of Portland. One can surmise that many a Salem citizen was perplexed on January 8. Why was the Ladd and Bush flag flying?

In the April 1914 issue of the *Ladd & Bush Quarterly* there is a rather dour comment about the new Federal Reserve System that reads as if it were written by Asahel Bush, although his death occurred in the previous December. It is not impossible that this material was written by Mr. Bush before his death, since the Federal Reserve Act was passed on the very day Mr. Bush died; but it was passed only after months of debate. This note begins with an 1852 letter from the *New York Herald* returning a two-dollar bank note of a failed bank in Georgia and declining to accept it in payment of a subscription. The note continues in part:

> The Government is about to launch the business of this republic into bank notes based on commercial credits. The wise men with forebodings have told what the results probably will be; inflation seems to be their chief bugaboo, while the majority of our lawmakers at Washington, railing at Wall Street, assure us it will produce our financial millenium. But the chief joke of it all is that the old and conservative states of the Atlantic Seaboard are getting their financial legislation from Oklahoma.[11]

[11] This reference to Oklahoma is less than clear. No Oklahoma senator or representative is especially identified with the Federal Reserve Act. But Oklahoma

Perhaps the new banking system was too reminiscent of Nicholas Biddle and the Bank of the United States which Andrew Jackson had destroyed. To such a Jeffersonian democrat as Asahel Bush almost any central banking system might have appeared to be a dangerous centralization of economic and financial power.

If this editorial note was not written by Asahel Bush, it was probably authored by his son, A. N. Bush, whose financial philosophy was greatly influenced by his father. A. N. Bush had gone to work in the bank in 1882 at the age of 22 and was active in the direction and management of the bank until it was merged with the United States National Bank of Portland in April 1940. At the time of the merger, Mr. Bush was 80 years of age, but still interested and active in the affairs of the bank.[12] He was willing to consider merger with the larger institution only because his only son was no longer living and his two grandsons were not interested in banking.

Asahel Bush had a deep distrust of any kind of paper money. He much preferred hard money, preferably gold coin. In the operation of the bank he could not, of course, refuse to accept paper money, but it was shipped out as fast as received. It was never paid out over the counter unless asked for. It has been reported[13] that this was at times most inconvenient for some of the lobbyists who gathered in Salem when the Legislature was in session. If one of this gentry needed a roll of hundred dollar bills for "expenses" in connection with legislation, he could not obtain it at Asahel Bush's bank; he might be compelled to go all the way to Portland to find the necessary "legislative lubricant."

This distrust of paper money and preference for gold coin was shared by the son of the founder, Mr. A. N. (Asahel Nesmith) Bush, who began work in the bank in 1882. Even after the death of Asahel Bush in 1913, A. N. Bush kept a substantial part of the bank's reserves in its own vault in the form of gold coin. It is reported that on at least one occasion an incipient run on the bank was stopped after this impressive stock of gold

banking legislation which included an ill-fated deposit insurance scheme was generally considered radical; perhaps this is intended to convey the idea that the Federal Reserve Act was as unsound as Oklahoma banking legislation.

12 When the banks were merged, Mr. Bush retained ownership of the Ladd & Bush Trust Company, changing the name to Pioneer Trust Company. He continued to be active in the management of the trust company until his death in 1953 at the age of 94.

13 "Reminiscences and Anecdotes, Mostly About Politics," Oswald West, *Oregon Historical Quarterly*, LI (June 1950).

coin was placed on exhibition in the lobby of the bank. Some observers have also reported that in 1933, when the bank was required to surrender its gold holdings, the 73-year-old Mr. Bush watched the gold being moved from the bank's vaults with tears in his eyes.

Close associates of A. N. Bush testify that until his death in 1953, he refused to carry paper money on his person except under most unusual circumstances. He preferred silver half-dollars, and his pockets were usually weighted with this hard money. It was also his custom to buy high grade candy in large quantities; it pleased him to give this candy to friends and associates as well as casual acquaintances.

Because of its size and because of the statewide standing and reputation of Asahel Bush, the bank was never just a local Salem or even Marion County institution. Deposits were attracted from all parts of the state, and loans were made to individuals and enterprises over a wide area. The Ladd and Bush Bank was an unincorporated private bank, and in sharp contrast to the nationally chartered banks, was not subject to examination and regulation by governmental authority until after 1907. This meant that Mr. Bush could make unorthodox and informal lending arrangements, if he considered such loans to be sound, and not be concerned about how these loans might look to a bank examiner. Many of the stories that have become part of the Ladd and Bush legend have to do with these unorthodox and unconventional lending practices.

Former governor Oswarld West, who was a Ladd & Bush employee in the nineteenth century, has related some of these stories.[14]

One of these incidents occurred during the 1890s, and concerned an old crony and political ally of Mr. Bush from the cattle and sheep country around Paisley in south-central Oregon. This old crony had recently sold his livestock interests at an auction sale and, as was both necessary and customary, had taken notes from some of the buyers. He was visiting and reminiscing with Mr. Bush in the lobby of the bank and as he was about to leave he reached in his pocket and took out a note for $500 that he had taken at the auction sale; thrusting this note at the startled banker he said, "Here, Bush, cash this note. I'm a little short of spending money." Mr. Bush then explained that he did not discount outside paper and preferred that all loans be made direct by the bank on its own note forms. He also explained that he could not discount the note because he knew nothing of the financial standing of the maker of the note.

[14] "Reminiscences and Anecdotes . . ." *Oregon Historical Quarterly*, L, No. 3 (Sept. 1949); LI, No. 1 (Mar. 1950), No. 2, (June 1950); LII, No. 4 (Dec. 1951).

But this explanation by no means satisfied the stockman; indeed, it seemed only to irritate him. "This is one outside note you are going to take," he said with confidence. He went on in picturesque language to express doubt that the bank's note form tied up the maker of the note any better than the one he had used. He also told Mr. Bush, "You may know nothing of his financial standing, but I do. You don't think I would be damn fool enough to take this note if I didn't think it would be paid, do you? Come on, give me the cash."

Asahel Bush was not a man to be pushed around or overawed. But if his old friend the stockman from the high desert country felt so strongly that the note was good, it very probably was. So, with no further protest, he agreed to cash the note, and instructed Claude Gatch to cash the note for the full face value, plus accrued interest. If he were to give his friend what he wanted, he might as well do it graciously and not reluctantly. Mr. Gatch paid the proceeds to the stockman and then made the necessary entries. The note was filed in the "Bills Receivable" pouch.

When the note became due and was not paid, the customary notice was sent the maker of the note at his Lake County address. There was no response. A month later another notice was sent with the same result. Then Claude Gatch, who kept a sharp eye on collections, called the matter to the attention of Asabel Bush. Mr. Bush instructed him to send the note to his friend the stockman with a letter telling him, "I said to collect it." Mr. Gatch wrote the letter and enclosed the note and sent it to the stockman in central Oregon. In order to keep the record straight he put a copy of the letter to the stockman in the Bills Receivable pouch in place of the note.

A month later there appeared in the lobby of the bank a lean, suntanned man who introduced himself as the maker of the note. He had come, he said, to pay his note. Claude Gatch remembered that the note was no longer in the note pouch, but did not wish to admit that the note was not on hand. He went to the note pouch and found only the copy of the letter to the stockman, which was no surprise at all. Returning to the counter, he told the maker of the note briskly, "I don't seem to be able to find the note, but I can give you a receipt for the money and then send you the note as soon as we locate it." But the maker of the note said affably, "Oh, that's all right; I have it here," and he reached in his pocket and took out the note and laid it on the counter in front of the astonished Mr. Gatch. He then went on to explain that Mr. Bush's friend, the stockman, had handed him the note a couple of weeks before and told him to drop in and pay it the next time he was in Salem.

Another incident recalled by the former governor involved a close political ally of Asahel Bush. Benjamin F. Harding had represented Oregon in the United States Senate and had been an important cog in the so-called Salem clique. But in the 1880s he was simply "Uncle Ben" Harding, a resident of Salem, and no longer an important political figure. During this time he built a house on South High Street in Salem. The retired senator was helping to shingle the house when a bill collector climbed up the ladder and presented him with a bill. Just why the bill collector was so eager to collect is not a matter of record. Perhaps Uncle Ben had not responded to bills sent by mail. At any rate, he wished to pay the bill but did not wish to climb down the ladder to get his check book. He then selected a clean smooth shingle and with a heavy carpenter's pencil wrote a shingle check. The bill collector sputtered and protested that all this was most irregular. But he was silenced by the retired senator who told him, "Young man, there is no law in this state which says that a check must be written on paper."

The shingle check was duly presented and paid by the bank without question. But what to do with the shingle check presented something of a problem; it was too big to fit the pigeon holes used to sort checks. The solution was easy, however. The shingle was simply laid aside and the next time "Uncle Ben" came to the bank he was asked to prepare a check on the regular form and this was then substituted for the shingle.

Another story told by West concerned William P. Lord, who became governor in 1895 after a distinguished career in the law. He was a justice of the Oregon Supreme Court from 1880 until election to the governorship in 1894. He was a well-known legal scholar and rather a dignified and courtly gentleman in the old-fashioned tradition. But perhaps he was a bit unworldly and disposed to give little attention to what he regarded as unimportant details of daily living.

He had maintained an account with the Ladd & Bush Bank for many years but had never been given a statement of account. Mr. Lord usually did not trouble himself with writing a check; when he received a bill he would write on it, "Claude [Gatch] or Asahel [Bush], please pay this." This bill would be sent to the bank, and the bill would be paid and duly charged to his account.

When Mr. Lord became governor in 1895, the youthful Mr. West was paying teller and he noted that no statement of account had been sent to the new governor. Mr. West then at considerable labor took the accumulated vouchers from the files and prepared a statement of account, which made up a good-sized package, for the new chief executive. Perhaps

Mr. West, who himself became governor in 1911, thought that Governor Lord would appreciate this service. But if he thought so he was mistaken. Governor Lord rather unaccountably became quite angry and sent the bulky statement back to the bank. Perhaps he considered this as an intimation that he lacked confidence in the bank; or perhaps he simply did not wish to be bothered with such details. In any event, the governor was not pleased. Unhappy for Mr. West, he was also reprimanded by Asahel Bush.

Published financial statements of the bank are available from 1908 through 1939; these statements are from the annual reports of the Oregon Banking Department. There were during this period two significant business declines. There was the sharp business decline of 1920-1921; then there was the long depression in the years following 1929. It is interesting to examine the significant data from these statements and to trace the impact of these difficult times upon the bank as well as to observe the changing relationships between stockholders' funds (capital stock and surplus items) and deposits, and between loans and deposits. The principal items (in thousands) from these statements are shown on page 296.

The amount ($250,000) shown as capital stock for 1908 and 1909 was not in fact capital stock. Ladd & Bush was a private bank and the owners were Asahel Bush and A. N. Bush, and the amount shown as capital stock would have been merely a bookkeeping allocation. But on June 11, 1910, the bank was incorporated and apparently additional capital was invested by the Bushes; the capital stock jumped to $500,000, although surplus was reduced. But the stock was apparently held in the family, because only members of the family appear as directors for some years. In later years, other names appear as directors.

In the first year of incorporation, stockholders' funds amounted to approximately 25 per cent of deposits, which was probably about average for the time. By 1928 this ratio had declined to about 11 per cent. In 1934, excluding the capital debentures, the stockholders' funds were only slightly over 6 per cent of deposits.

This low ratio of stockholder capital to deposits undoubtedly explains the appearance of the capital debentures in 1934. It is also evident that the bank must have taken substantial losses in 1934; if the capital debentures are not considered, the surplus and undivided profits declined from $121,000 at the end of 1933 to only $28,000 at the end of 1934.

But it is notable and indeed rather strange that the need for these capital debentures did not arise from weakness but rather from strength. In many, if not in most banks, capital debentures and R.F.C. loans were

sought to offset a decline in deposits. For Ladd and Bush, capital debentures were made necessary by the fact that in 1933 and 1934 stockholders' capital had declined quite modestly through operating losses or write-

	Capital Stock	*Surplus and Undivided Profits*	***Deposits*	*Loans*
Nov. 27, 1908	250	48	1,741	801
Nov. 16, 1909	250	98	1,976	981
Nov. 10, 1910	500	39	2,169	941
Dec. 5, 1911	500	69	2,142	1,172
Nov. 26, 1912	500	89	2,080	1,158
Oct. 21, 1913	500	101	2,099	1,487
Oct. 31, 1914	500	126	2,003	1,522
Nov. 10, 1915	500	109	2,292	1,790
Oct. 31, 1916	500	81	2,673	2,011
Nov. 20, 1917	500	83	3,451	2,242
Nov. 1, 1918	500	77	3,794	2,874
Nov. 17, 1919	500	103	4,410	2,529
Nov. 15, 1920	500	175	4,447	3,612
Dec. 31, 1921	500	120	3,906	2,397
Dec. 29, 1922	500	190	4,387	2,958
Dec. 31, 1923	500	170	4,466	3,106
Dec. 31, 1924	500	166	4,589	3,201
Dec. 31, 1925	500	140	4,898	3,419
Dec. 31, 1926	500	127	5,099	3,928
Dec. 31, 1927	500	117	5,573	4,248
Dec. 31, 1928	500	147	5,961	3,772
Dec. 31, 1929	500	144	5,951	4,118
Dec. 31, 1930	500	152	5,853	3,675
Dec. 31, 1931	500	140	5,822	3,483
Dec. 31, 1932	500	141	5,828	3,363
Dec. 31, 1933	500	121	6,834	3,261
Dec. 31, 1934	500	*278	8,270	3,417
Dec. 31, 1935	500	*275	9,714	3,176
Dec. 31, 1936	500	*412	11,388	4,137
Dec. 31, 1937	500	*427	11,062	5,290
Dec. 31, 1938	500	*442	11,273	5,173
Dec. 30, 1939	500	*486	10,918	4,522

* Included in Surplus in 1934-35-36 are $250,000 capital debentures, issued to the R.F.C., and subordinated to deposits; they were reduced to $247,500 in 1937, to $245,000 in 1938, to $242,500 in 1939.

** In certain early years deposits may be slightly understated because the item "due to banks" was not included in deposits, although actually may have represented at least in part deposits of banks.

offs, but during these same years there was an extraordinary increase in deposits.

Indeed, one would not be aware that there was a business decline or depression in the years following 1929 if he relied only on the evidence of the Ladd and Bush deposits. The high tide of deposits in the 1920s was reached in 1928 at $5,961,000; the low point was $5,822,000 at December 31, 1931. This decline from high point to low point of only slightly more than 2 per cent is hardly an indication of weakness. If an economic historian of a thousand years from now were to use the Ladd and Bush statements to learn something of the economy of the period, he would get an entirely inadequate picture of what the world was like in the 1929-1934 period. Ladd and Bush depositors seem not to have lacked confidence in the bank. It is, of course, quite possible that greater declines would be evident if some date other than the end of the year were used.

The item "other liabilities" appears in the bank statements from 1930 through 1936. This sometimes reflected borrowing from other banks or government agencies and was regarded as some measure of financial pressure. These liabilities were never large in relation to resources or deposits and reached a peak of $69,000 at the end of 1932. But these borrowings did not reflect pressure due to a run-off of deposits; the maximum decline in deposits was only a little more than 2 per cent. Indeed, it is not easy to understand the remarkable stability of deposits of this pioneer bank during these difficult years.

In the later years of the bank, prior to merger with the United States National Bank of Portland in 1940, operations were perhaps more conventional than in the days of Asahel Bush; but it was still a bank with a certain atmosphere and with a certain degree of the unconventional and the unorthodox. Lending practices and collection policies could not be quite as casual as in the nineteenth century because the bank was subject to examinations by regulating agencies. But the bank was still not an average or typical bank.

Mr. Rex Gibson, who began work in the Ladd and Bush Bank in 1922 and who became manager of the Ladd and Bush branch in 1953, has related the following incident, which indicates that lending practices were not stereotyped and that Ladd and Bush was still a bank with a certain atmosphere of difference.

A Salem business man and customer of the bank proposed to an officer of the bank that the band lend him $100,000 for two days at 3 per cent interest. As security for the loan he proposed to offer the deposit balance created by the loan, allowing the bank to freeze this balance while the

loan was outstanding. The amount of the loan requested was entirely disproportionate to this businessman's usual or normal needs. Moreover, the transaction would not yield the businessman any spendable funds since the proceeds of the loan would be also the security for the loan. The banker could not make much sense out of the proposal. But when he attempted to question the loan applicant about his reasons for such an unusual proposal he found him to be uncommunicative and even unwilling to be questioned. The customer expressed the view that if the security offered was adequate it was none of the bank's business why he wanted the transaction to be carried out as he proposed. "Don't you think an account in this bank is good security for a loan?" he asked the puzzled banker.

After some reflection, the lending officer demonstrated that perhaps the ghost of old Asahel Bush still hovered about the bank. He concluded the customer was right; it really wasn't any of the bank's business why the customer wanted the loan—if the security offered was adequate. And so the loan was made on the terms suggested, even though the banker could see no particular sense in the transaction from the point of view of the borrower.

In two days, the customer was back in the bank and, as agreed, repaid the loan of $100,000 with interest of about $16.00 representing 3 per cent interest for two days. His note was stamped "Paid" and returned to him. But the banker was left with no explanation for the strange transaction. He was, of course, consumed with curiosity. But some days later, the banker had occasion to visit the business establishment of the customer, and the reason for the transaction became evident. Neatly framed and hung on the wall was the customer's note for $100,000 at 3 per cent interest, payable to the Ladd and Bush Bank and stamped "Paid." Here was visual proof that he had borrowed $100,000 from Ladd and Bush at 3 per cent interest. Did he want this proof merely as a conversation piece, or perhaps as a bit of personal vanity? No one knows. Maybe he used it as a means of trapping unwary friends into bets: "I borrowed $100,000 from Ladd and Bush at 3 per cent interest, and I can prove it."

For nearly 25 years the institution at the corner of State and Commercial Streets in downtown Salem has been a branch bank, but it is a branch bank that has not entirely lost its link with the past. The exterior of a portion of the building is reminiscent of the nineteenth century. The interior of the bank and the bookkeeping and business practices are thoroughly modern; but in a storeroom in the building, there are pre-

served the ledgers, photographs, and miscellaneous materials that were part of the history of the pioneer financial institution.

When the bank was merged in 1940, Mr. Bush reserved the trust business which he transferred to the Pioneer Trust Company. Some of the relics and keepsakes of the Ladd and Bush enterprise were also given into the custody of the Trust Company. Included in the relics transferred is a large (about four and a half feet by eight feet) painting of George Washington. This painting now hangs in the office of the Pioneer Trust Company. It is apparently of high quality and on the frame is marked "Kernon & White / Guilders / No. 106 Customhouse St. / New Orleans." The painting was sent to the elder Mr. Bush by Mr. C. E. Tilton, who was a partner in the Ladd and Tilton Bank of Portland, which in turn was a partner in the Ladd and Bush Bank. Mr. Tilton found the painting in a second-hand shop in New York and recognized its good qualities. Mr. Tilton acquired the painting and immediately sent it to Asahel Bush. For many years it was displayed in the office of the bank.

The story cannot be documented, but it has been reported[15] that the painting was stolen from a Louisiana mansion by an associate of General Benjamin Butler during the military occupation of New Orleans during the Civil War. It was carried by him to New York and pawned. When it was not redeemed, the picture landed in a second-hand store where it was found by Mr. Tilton. Though this story cannot be verified, it is part of the Ladd and Bush legend.

The Ladd and Bush branch is a part of an organization that was a pioneer in push-button bookkeeping and the visitor to the institution will observe the most modern devices and methods. The bookkeepers are not perched on high stools and they do not make pen and ink entries in Boston Ledgers; the cashier does not sport a handlebar mustache. The bank no longer "shows the flag" from sunrise to sunset on January 8 to celebrate the anniversary of the glorious victory of General Jackson at New Orleans. Without doubt, the bank would be reluctant to honor a check written on a "smooth clean shingle;" it would not fit in the machine bookkeeping system. There is little likelihood that the cashier or assistant manager will playfully try to pass lead dollars on unsuspecting meat cutters or saloonkeepers. These things are all in the past. The world has changed and the bank reflects these changes.

But even with the modern equipment and up-to-date methods and procedures, the visitor to the Ladd and Bush branch cannot avoid a sense

15 *Ladd and Bush Quarterly*, Vol. I, No. 1, July 1912.

of history, an awareness of a certain atmosphere. Perhaps this comes in part from the exterior architecture and in part from just a few pictures and other items on display in the bank. The visitor who has some knowledge of the history of this pioneer institution would not have too much difficulty in imagining that sometimes at midnight the shades of old Asahel Bush, A. N. Bush, Claude Gatch, Os West, Ed Cusick, William S. Walton, and others, gather in the lobby for a ghostly "Directors' Meeting."

THE BROOKINGS BANK WAR

the defeat of the giant Federal Reserve System by the little Brookings State Bank

The small town of Brookings was much more isolated in 1921 than it is today. Highways did not exist; there were only "wagon roads" and these were primitive and not designed for rapid transit. Railroad connections were at Eureka, California, one hundred miles to the south, and at Marshfield, Oregon, about the same distance north. Indeed, the residents of the area scarcely considered themselves as part of Oregon.

But in this small town on Oregon's southern coast occurred a noteworthy economic and legal war in 1921. One of the contestants in this struggle was the Brookings State Bank, which had a capital stock of $15,000; the other contestant was the Federal Reserve Bank of San Francisco, supported by the entire Federal Reserve System with its almost unlimited resources. But this was one battle which was not won by the stronger contestant. The undisputed victor was the small Brookings State Bank.

The controversy was concerned with the matter of par collection of checks. The par collection controversy was national in scope and it is not appropriate nor possible to summarize here the many facets of this historic difficulty. It is sufficient to say that it had to do with the practice of many state banks, especially the smaller ones, of charging a small commission or fee for the payment of checks not presented over its counter. National banks and members of the Federal Reserve System were required to "remit at par" but nonmember state banks could not legally be required to do so, and many small state banks considered such charges to be justified and necessary. Checks presented over the counter were, of course, required to be paid in full without commission or discount.

Among the incidental responsibilities of the Federal Reserve banks

Neighboring communities of Brookings in the far southwest corner of Oregon; daily life was much the same all along the Pacific coast.

The Brookings State Bank was one of the banks that elected not to be "persuaded."

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which began operations in 1914 was to assist in the clearing of checks. The several Federal Reserve banks permitted and encouraged their member banks to use the reserve bank as a clearing agency. Member banks that accepted checks drawn on out-of-town banks might send them to the drawee bank for collection or credit, or they might be cleared through a correspondent bank. But increasingly banks began to clear through the Federal Reserve banks. This served to reduce the "float time," i.e., to increase the speed of collection of out-of-town checks. In most cases, the clearing was merely a matter of debits and credits on the books of the Federal Reserve bank.

But the Brookings bank was not a member and did not and could not maintain an account at the Federal Reserve Bank of San Francisco. When the reserve bank received a check drawn on the Brookings State Bank, it credited the account of the member bank that sent the check in for clearance. But when the reserve bank sought to collect from the Brookings State Bank, a commission or discount was deducted. For the Brookings bank, the deduction was only one-tenth of one per cent. The amount involved was clearly inconsequential, but it is understandable that the Federal Reserve banks regarded nonpar collection as an annoyance and an unnecessary impediment to commerce.

There were, of course, several alternatives open to the Federal Reserve banks. They might simply have refused to clear checks of banks not on the par list; or they might have elected to absorb the cost of collection. They might also have sought legislation in the several states requiring par remittance. But the Federal Reserve System did not choose any of these alternatives. It first undertook persuasion, and an impressive educational campaign was begun. When this was not entirely successful, it adopted tactics that must be described as coercion.

The Brookings State Bank was one of the banks that elected not to be "persuaded." Subsequently, the Federal Reserve Bank of San Francisco employed Wiley W. Knighton as its agent and sent him to Brookings. Thereafter the reserve bank mailed checks drawn on the Brookings bank to the agent in Brookings who then presented them over the counter for

collection without discount. He then remitted the proceeds (in actual cash) to the reserve bank.

In the light of later developments, it seems quite clear that this agent's instructions were simply to make as much trouble as possible for the Brookings bank. He did not, for example, present checks to the bank at regular intervals; instead he accumulated these collection items over a period of time and presented them after a substantial amount had accumulated. This required the bank to maintain an excessive (and expensive) amount of vault cash.

Moreover, he became unwilling to accept any medium of payment except actual cash. On one occasion he either was persuaded to accept or inadvertently accepted exchange, i.e., the Brookings bank's check on a correspondent bank. But this brought a letter of reprimand from the Federal Reserve Bank. He was instructed not to accept exchange, but to demand actual cash. The coercive intent was clearly evident in the language of the letter: "If we continue to accept exchange, we are, of course, extracting the sting from our direct collections."

The contest went on for some time and the agent was maintained in Brookings for about a year at a cost of $3,600, during which time he collected a little over $100,000. The Brookings bank shipped the money in and the agent shipped it out again. According to reports that cannot be verified, the local bank sometimes took advantage of the fact that silver dollars were legal tender, and paid the agent a large quantity of silver dollars. But it was impossible to win the battle this way; unfortunately, it cost just as much to ship money in as it did to ship it out.

Because it became clear that the Brookings bank could not be intimidated by this method, the Federal Reserve bank withdrew the agent. The Brookings bank was so advised in September 1921.

After the withdrawal of the agent, the reserve bank adopted new, and even rougher, tactics. It now mailed checks directly to the Brookings bank but all such checks were endorsed "Pay to Brookings State Bank for collection only and remittance in full without deduction for exchange or collection charges."

Since the Brookings bank was not ready to surrender, it simply returned such checks to the reserve bank with the comment that it was not required to act as the agent of the reserve bank. The Federal Reserve Bank then notified its correspondents that the checks on the Brookings bank had been "dishonored."

At this point, the Brookings bank decided the time had come for a showdown. It had been at war with a powerful adversary for nearly a year,

and clearly this could not continue indefinitely. Accordingly, suit was brought in the Federal Court for an injunction prohibiting the Federal Reserve Bank (a) from maintaining an agent in Brookings for the purpose of harrassing the local bank, and (b) from returning Brookings checks to correspondents with the information that such checks had been "dishonored."

The outcome was a victory for the Brookings State Bank. The court declined to enjoin the Federal Reserve Bank from maintaining an agent in Brookings but only on the ground that the question was "moot." The reserve bank had already withdrawn the agent and had indicated that it would not renew this practice. An injunction was granted which prohibited the bank from advising correspondents that Brookings State Bank checks had been dishonored merely because it had been unable to collect them at par. The Brookings David had bested the Federal Reserve Goliath.[1]

In long perspective, of course, it was only a delaying action. All Oregon banks are now on the par list and only a handful of small banks in the more remote areas of the United States do not remit at par without collection charge. But this has come about by the concentration of banking resources into fewer units and by the pressure of competition. Collection charges are an annoyance to customers too; if a customer has a choice, he will naturally prefer an account in a par collection bank. With the increasing speed of communication and transportation, bank customers have been able to choose. The result has been the virtual elimination of collection charges.

[1] Two decisions of the Federal District Court in Portland provided most of the information upon which this account is based: 277 Fed. 430 (1921), and 281 Fed. 222 (1922).

David Grant Tucker, Oregon State Penitentiary photograph.

THE FALL AND RISE OF DAVID TUCKER

the bank robber who became an officer of the very bank he once helped rob

No statistics are at hand to show what happens to convicted bank robbers upon their release from the penitentiary. It is reasonable to suppose that some of them deliberately resume a criminal career; others find difficulty in adjusting to life outside and gradually drift back to a life of crime; some, especially first-time losers, succeed in adjusting themselves to honest employment and become useful and respected citizens. The least likely event is that a bank robber would return to the community where his crime was committed and not only become, in the course of years, a useful and honored citizen, but also an officer of the very bank he had helped rob. Likely or not, this is precisely what happened to Dave Tucker in the small town of Joseph in Oregon's far northeast corner.

David Grant Tucker was born in Arkansas in 1871, the oldest of what was to be a large family. In 1876, when Dave was five, the family came to Oregon, and his father took up a homestead in the Wallowa Valley near what is now Joseph. This was wild country in 1876. The valley was still occupied by Chief Joseph and his band of Nez Perce; there were no roads and few white settlers, and the area was several days' journey from the nearest railroad. There was little communication with the world. Schools were open only sporadically, and Dave Tucker attended school for only three terms of four months each.

While Dave was growing up, the Oregon-Washington Railroad and Navigation Company line was extended first to La Grande, and later to Elgin some sixty miles away, and a small settlement began at Joseph. Dave later recalled that there were five saloons in Joseph, and that there was no law except the law of the six-shooter. Nearly all the young men

Early-day view of the town of Joseph. University of Oregon Library collection.

The place to find his reputation was where he had lost it, and so he headed back to Joseph.

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gambled and drank and stole cattle; it was considered a sort of game to put your brand on a maverick. Dave joined in the game, and from September 1894 he spent ten months in the penitentiary for larceny of cattle.

When he was released, he began working in sheep shearing camps, and in the fall of 1896 he met, in a sheep camp, a man who went by the name of Si Fitzhugh. Fitzhugh was well educated, a clever gambler, and was greatly admired by the youthful Tucker. One night while they were lying out under the stars, Fitzhugh began telling about robberies he had committed. This was something new to Tucker; branding mavericks was one thing, but robbery! But before morning he had agreed to join Fitzhugh and his partner Brown, also an experienced criminal, in robbing the Joseph bank.

In later years, he said the reason he agreed to join in the robbery was a desire to be educated. He planned to be married in a few months, and hoped to take his share of the loot, go to Chicago, and attend school. Then, after his education was completed, he planned to come back to Joseph, get married, and be a big man in the community.

In 1929, an extensive interview with Dave Tucker was published in the *American Magazine*. In this interview he recalled the robbery and the events leading up to it, as well as his subsequent fate.

At three o'clock on Thursday, October 1, 1896, the three men rode into town, tied their horses to a hitching rack in front of the bank, pulled masks over their faces, and went in. Tucker stood in the doorway as a lookout while Fitzhugh and Brown entered the bank. Mr. J. D. McCully, the president, was temporarily in the bank in the absence of the cashier and he was just coming out of the small vault as the robbers entered. When he raised his head after coming out of the vault, he found himself covered by a gun and was told to throw up his hands. He did as he was told. One of the robbers then vaulted over the railing, and rifled the vault, tills, and drawers, and shoved the money (about $2,000) into a sack, while his companion held a gun on four customers who were in the bank.

But the robbery was observed, and men with guns poured out of nearby

saloons and blacksmith shops; as the robbers attempted a getaway, a shot near the heart dropped Brown who was carrying the money sack; another shot removed the right index finger of Tucker, who then panicked and ran. A few shotgun slugs in the side brought him up short, and he was captured. But Fitzhugh, the leader of the group, coolly picked up the money sack and the dead man's gun, and by some miracle of chance made it to his horse and escaped. A posse was hastily organized and trailed the bank robber south to Wallowa Lake, but there the trail turned east into the high, rugged Wallowa Mountains in the direction of the Grand Canyon of the Snake River.

It is not now clear that the pursuit of Fitzhugh was immediately continued. Possibly the hastily organized posse of townspeople had no great yearning to get too close to this armed, desperate man in a country so well adapted to ambush. In any event, the job was assigned to Ed Cates, a special officer from the nearby county seat of Enterprise. Neither is the

The First Bank of Joseph, which was held up by Fitshugh, Brown, and Dave Tucker on October 1, 1896.

direction taken by Fitzhugh known, except that he escaped into Idaho, and that he had to cross the Snake River somewhere. It seems incredible that he could have made it across the Grand Canyon of the Snake, which here is deeper than the Grand Canyon of the Colorado. Even if he had been able to cross the Snake River canyon, he would have found himself in the impassable Seven Devils country in Idaho. Possibly he turned north toward Lewiston, Idaho, although this would have taken him into more open and settled country. A more likely possibility is that he turned south again and was able to cross the Wallowa passes, and ford the Snake River near Weiser, Idaho.

Special officer Cates took up the chase, apparently without a posse, and was gone for several weeks. Early in December, he returned to Union, Oregon, where he reported to the editor of the *Eastern Oregon Republican* that he had trailed Fitzhugh into the Sawtooth Range in the general direction of Yellowstone, but that the trail had been lost. Fitzhugh was never heard of again—perhaps he got away, or perhaps his bones still rest at the bottom of some even now unexplored canyon in this remote and rugged land.

Back in the Wallowa country a bewildered but unrepentant Dave Tucker was taken to jail in Enterprise to await trial. In due course he was tried, convicted, and sentenced to seven years in the state penitentiary.

The robbery was bad news to the bank's stockholders. Since organization in 1887, the bank had never failed to pay a dividend of from 8 to 10 per cent, and a dividend had been declared, payable on the very day the bank was robbed. But it was necessary to rescind the dividend to make up the loss. One of the stockholders, Mrs. Anna Leslie, stopped by the bank in the morning to get her dividend, but since the cashier was busy, she decided to wait until later in the day. By the time she got around to it, the bank had been robbed and there was no dividend.

Penitentiary practices were not soft at the turn of the century, and Dave Tucker was not pampered. He was put to work in the iron foundry pouring moulten iron for stoves for a contractor to whom the convict labor had been sold. The foundry was dark and dirty, and the men worked with nothing on but a pair of pants. Convicts were tied to a post and flogged for violation of rules.

For a part of his term Tucker elected to be a tough guy and associated with the worst men in prison, but several influences were at work that finally led to reform. Minnie Proebstel, the girl he had planned to marry, remained faithful and wrote to him regularly, as did his mother. Then

the warden, although a hard man, was fair, and the strict prison regulations were administered without favoritism. But according to Tucker's later account, the reformation came rather suddenly. One day he was in the "bull ring," where the men were marched for an hour for exercise, when one of the convicts suddenly went insane—as Tucker expressed it, he went "plumb nuts." This naturally upset the convicts. There was a good deal of mumbling, some of the men were cussing, and a few were praying. As he looked over the scene, something happened to Tucker. As he put it, "It all happened in a minute—even the old prison looked different. I felt different deep down inside. I was different."

For the remainder of his term, things were a bit easier; after awhile he became what would now be called a trusty, and was put in charge of the barns and livestock. He also became friendly with a convict who had been a schoolteacher, and under his direction began reading a great deal, especially about farming and livestock markets.

When he was discharged, September 28, 1901, he had no very clear idea of what to do first. He had borrowed five dollars from a guard and twenty dollars from his brother, and so was faced with the need to find work quickly. He made his way to Portland by boat and from there by train and stage to Lewiston, Idaho, where he tried to find employment.

His money was down to two dollars when a stage line owner offered him a job. But when he reported for work the next morning, the employer had decided he wasn't needed; he had evidently heard of his record. Very discouraged, and without an overcoat, although it was October, he crossed the Snake River and headed into Oregon on foot, without any clear idea of where he was going. After he had covered perhaps fifty miles, he came to a fork in the road; one road led north and the other to Enterprise—and Joseph. Here again was a time for decision. Finally he decided that the place to find his reputation was where he had lost it, and so he headed back for Joseph.

Back in the familiar Wallowa country, his troubles were far from ended. The girl he had planned to marry was still waiting, and willing, but Dave felt that employment and restored reputation came first. When he was in jail in Enterprise awaiting trial, he had been visited by an old French sheepman, Peter Beaudoin, owner and operator of a large sheep ranch, who came because of Dave's mother. "That nice woman deserves a better son than you are," he had told young Tucker. On the ranch of the old Frenchman, Dave finally found employment.

But he found that he was still shunned; old acquaintances passed him

by without speaking. The next five years, he rarely left the ranch. The second year, Beaudoin made him foreman over ten sheep camps and paid him a salary of $1,500. The third year, he sent him to Elgin, the railhead, sixty miles away, to deliver 11,000 head of sheep to a buyer. He collected $38,000 for them and took the money to the bank in Elgin. The banker who waited on him had been an associate of the men in the Joseph bank and knew all about him. "What do you want to do with this?" asked the banker. "Put it here to the credit of Peter Beaudoin and just receipt me for it," replied Dave Very probably this story got around, for the attitude toward Tucker began to be more friendly.

Dave put most of his pay into a small band of sheep, and in the fourth year bought a little ranch, and by the end of the fifth year was the owner of 2,000 head of sheep. He now felt justified in asking his patient and faithful sweetheart to marry him, and the ceremony took place October 10, 1906. A further tangible indication of his restored reputation came when he was ready to buy his second ranch. He needed $9,800 and had $7,000 coming from the sale of some sheep; but he needed $9,800 cash. He was able to borrow the money from the Joseph bank without any difficulty.

But Dave Tucker was not satisfied to stop here. All worthy civic enterprises enlisted his interest and assistance. He served as a member of the school board for many years, and was also a director of a local irrigation district. One of the interesting sidelights of his restored reputation was what might be called a "conspiracy of silence" on the part of the local community. A small town is sometimes thought of as a gossipy place where no secrets can be kept and where everyone is fully informed about everyone else's business. But it is a tribute to the tolerance and understanding of the community that Dave Tucker's connection with the 1896 robbery was never mentioned, neither in conversation nor in the local newspaper. This could not have been because the deed was unknown—it must simply have been a recognition of his responsibility and integrity, and a disposition not to allow the past of a "wild kid" to outweigh present worth.

The years also brought many changes in the community. In 1908, the railroad was extended from Elgin to Joseph, and this stimulated the industry and business of the area.

But the end of the first World War brought economic troubles. The agricultural depression in particular was a strain on the economy of the region. In 1923, one of the two banks in Joseph failed, and attempts to

reopen proved futile. The First Bank of Joseph, which Dave Tucker had helped to hold up in 1896, was able to survive the shock. But four years later, because of the extended agricultural depression and a downturn in the lumber industry, it too was compelled to close its doors. This left the small community without a bank; local people made strenuous efforts to reopen the bank, and Dave Tucker, as usual, was active in the effort.

A bank was shortly opened under the name of the Joseph State Bank. In a narrow legalistic sense this was not the same bank. The charter of a bank in the neighboring village of Lostine was amended to provide for the change in name and location, some additional capital was provided, and the bank moved to Joseph. But for all practical purposes it was regarded as the successor bank to the First Bank of Joseph.

Sometime in 1928, Dave Tucker was elected to the office of vice-president of the bank that was the *de facto* successor of the bank he had helped rob 32 years before.

The deepening depression of the 1920s made it increasingly difficult for small banks to survive and finally in 1931 the Joseph State Bank was compelled to close its doors. But the reputation and standing of Dave Tucker was sufficiently solid to withstand the closing of the bank in which he was an officer.

The affection and respect of the Joseph community for Dave Tucker continued to grow over the years. His moral and material support of all worthwhile community interests and activities continued almost to the date of his death, January 29, 1953. A traveler in Joseph at the time of the funeral of Dave Tucker would have found it difficult to buy as much as a package of gum. Business establishments closed as a final mark of respect to a man whose life was a demonstration of the adage in which he so firmly believed, "The place to find your reputation is where you lost it."[1]

[1] News accounts of the robbery, *Oregonian*, Oct. 13, 1896; *Eastern Oregon Republican* (Union), Oct. 17, 1896. An account of the chase of Fitzhugh across the Sawtooth Range in Idaho was in the *Eastern Oregon Republican* of Dec. 12, 1896. News stories of bank closings were found in the *Chief Joseph Herald* of June 7, 1923, May 19, 1927, June 14, 1927, Sept. 25, 1931, Oct. 1, 1931. The recollection of F. D. McCully concerning the robbery were in the *Chief Joseph Herald* of Aug. 13, 1931. A somewhat garbled account of the robbery was included in a history of Union and Wallowa Counties (1902). An extended interview with Dave Tucker was published in the *American Magazine*, Vol. 108, (Sept. 1929), pp. 74-75. In this interview, Mr. Tucker was either misquoted or his memory failed concerning the date of the robbery. He placed it in October 1894 instead of

1896. He also included a fourth participant whom he identified only as "a young boy." All other accounts make clear that there were only three active participants. It does appear that two others were charged with complicity in the holdup—one of these was acquitted; the other pleaded guilty and was sentenced to seven years in the state penitentiary. The role of this "silent partner" is not altogether clear. According to one account, he furnished information as to when a sizeable sum of money would be in the bank; in another account he had something to do with arranging for Mr. McCully to be in the bank instead of the regular cashier; why this would aid the robbery is less than clear. But his role must have been important since he was sentenced. Some background material was based on interviews with present residents of the Joseph community. Some information was obtained from reports from the Oregon State Banking Department and the Oregon State Penitentiary. An account of Tucker's death and funeral was in the *Chief Joseph Herald*, Feb. 5, 1953.

THE CASE OF THE VARNISHED BOLT

the unbroken varnish that put a bank president and the pretty cashier in prison

Street scene in Florence about a decade before the time of the episode recounted in the following pages.

She was, after an hour's work, able to remove certain bolts in the vault mechanism and make her escape.

In popular detective mysteries, the brilliant detective, district attorney, or defense counsel solves the crime by astutely noting the significance of some obscure and apparently trivial fact. Indeed, this is almost a standard pattern in the writing of crime mysteries. Sometimes the reader is permitted to know this apparently insignificant fact early in the story; sometimes it is revealed only in the final chapter when the chief witness breaks down under relentless cross examination. In any event, justice is inevitably triumphant.

In real life, it is probably true that most crimes are solved by patient leg work by police and other investigators rather than by brilliant deduction based on some seemingly trivial circumstance. But sometimes real life offers a reasonable parallel to a Perry Mason thriller.

In the small city of Florence, on the Oregon coast, a reported bank robbery in 1927 was determined to be an inside job, and the president and cashier were found guilty and sentenced to terms in the Oregon State Penitentiary. The evidence that led officers and detectives to the conclusion that the reported robbery was an inside job was the apparently trivial fact that the varnish on a certain small bolt in the vault mechanism was unbroken.

There was great excitement in the small city of Florence on January 27, 1927.[1] Miss Harriett Withers, the 26-year-old, recently-promoted cashier of the Lane County State and Savings Bank, was alone in the bank; Mr. Henry Buckmer, the president and only other employee, was in Portland as head of a delegation appearing before the State Highway Commission to urge the early construction of a Western Lane County Highway.[2]

Some time after four o'clock on Thursday, the attractive cashier called Mr. Jay Buckmer, a director and brother of Henry Buckmer, the president, and reported that the bank had been held up. She then called Henry Buckmer in Portland. The president left on the night train from

[1] This account is based on the files of the *Eugene Guard*, annual reports of the Oregon State Banking Department and conversation with bankers and others who recall these events.
[2] Names of the guilty participants have been changed to protect the innocent.

Portland and arrived in Florence early Friday morning.

The cashier told a convincing story. A lone bandit entered the bank about 3:15 p.m. and asked Miss Withers if she were alone.[3] When the answer was in the affirmative, he drew a revolver and tossed her a sack and ordered that it be filled with money. Following the bandit's order, the sack was filled with currency together with $1,200 in gold coins and some $7,000 in traveler's checks. Several hundred dollars in silver was left by the bandit who concluded it was too heavy to carry.

The cashier was then ordered to lock the door to the bank and enter the vault. The bandit closed the vault door and spun the combination. The vault was about eight feet long, eight feet high, and three feet wide. There was no danger of suffocating since there were air vents in the vault. Inside the dark vault, Miss Withers found matches and a screw driver. With light furnished by the matches she was, after an hour's work, able to remove certain bolts in the vault mechanism and make her escape.

The description of the alleged bandit was detailed. He was about five feet ten inches tall, about 34 years of age, with a growth of several days' beard. He was wearing a short yellow raincoat and a grey hat.

Although no one except the cashier had seen the bandit, this was not considered surprising since it was a rainy afternoon and few people were on the streets. The attractive brunette cashier enjoyed an excellent reputation in the community and there was no disposition to doubt that the robbery had occurred as reported.

A posse was immediately formed to search for the lone bandit. On the day after the alleged robbery, the posse of 25 men was directed by Lane County Sheriff Taylor and deputy sheriffs Van Svarverud and Melvin Turnbull (as well as special officers of the Southern Pacific Railroad). Freight trains on the Southern Pacific Coos Bay line were "shaken down" and possible hideouts investigated. It was believed that the bandit would attempt to escape inland since the roads both to the north and the south were rugged and lonely and since it was impossible for small boats to put to sea.

When the president, Henry Buckmer, arrived from Portland the following morning, he and Miss Withers began immediately to make a check of the loss. The loss was said to amount to $21,310.23, including $7,570 in traveler's checks. Mr. Buckmer announced that the loss was covered

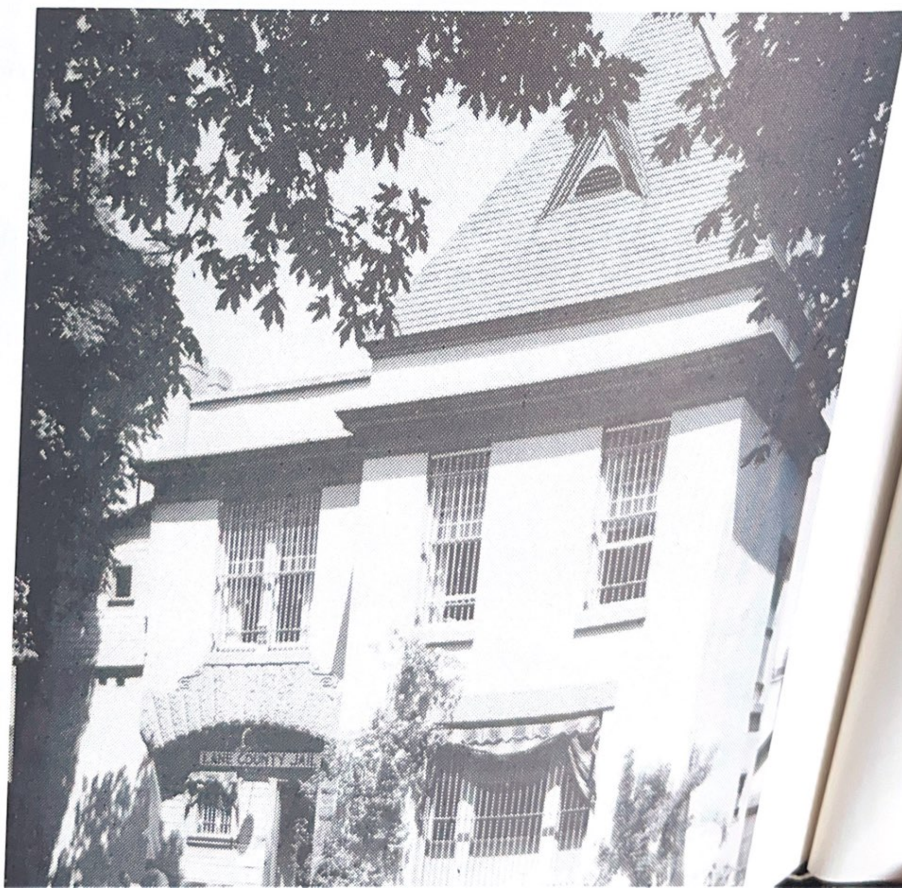
[3] This purported inquiry might have been considered a suspicious circumstance. It seems unlikely that a bandit would ask such a question. It is more likely that he would have determined by observation whether or not she was alone. In any event, only a stupid bandit would have expected a truthful answer.

Water-borne traffic along the Siuslaw river and the Florence docks over fifty years ago when dependence on water transport was a way of life.

by insurance. The traveler's checks were those of the American Express Company and the American Bankers Association; the identifying numbers of these missing checks were immediately telegraphed to the issuers, and broadcast generally in order to reduce the loss and to aid in the apprehension of the bandit. This brought the Burns Detective Agency into the picture, since this well-known agency was retained by the issuers of the traveler's checks. Burns operatives were in Florence within a short time.

Lane County bankers had some doubts about the alleged robbery from the beginning.[4] This was based on the amount of the reported loss in relation to the size of the bank. The Lane County State and Savings Bank was a small county bank with deposits of about $85,000. It was considered to be unlikely that such a bank would have nearly $14,000 in currency and $7,500 in traveler's checks on hand. At the time, the required reserves were 15 per cent against time deposits and 10 per cent against

4 This is based on conversation with Lane County bankers who were active in banking at the time and who remember the incident.



The old Lane County Jail in Eugene, Oregon

savings deposits. If the deposits were equally divided between demand and savings deposits, the required reserves would have been $10,625. But it was customary to hold a large part of the required legal reserves in deposit accounts in correspondent banks. Experienced local bankers considered that a bank of the size of the Lane County State and Savings Bank would not normally hold more than $3,000 cash on hand.

But suspicion is one thing and proof is another. In a few days, however, Burns detectives discovered evidence that went a long way in proving that the attractive brunette's account of the robbery was as phony as a three dollar bill.

Her story was that she was locked in the vault and with only a few matches for illumination, she had used a screw driver to dismantle the mechanism of the combination lock and released herself. This seemed a rather improbable story in itself, but the fact that made it even more improbable was that the varnish on a certain small key bolt in the mechanism was entirely undamaged. It appeared most unlikely that a young woman, inexperienced in the use of tools and working in the dark and holding a match in one hand and using a screw driver with the other, could remove this bolt without in any way damaging the varnish.

With this evidence available, the hunt for the "bandit" was quickly abandoned. But Miss Withers was not immediately placed in custody. Instead Sheriff Taylor asked her to come to Eugene to identify a "suspect." This "suspect" was undoubtedly some hapless vagrant who chanced to be in the county jail. Miss Withers, accompanied by Henry Buckmer, came to Eugene on Monday, January 31, and each registered at the Osburn hotel. They were taken to view the "suspect." Miss Withers did not identify the "suspect." One wonders what would have happened if she had identified the unfortunate prisoner as the robber. It is quite probable that it would have made no difference at all in the final outcome. No evidence is available, but it seems likely that the Sheriff and District Attorney made certain that the suspect could not have been the robber; perhaps he had been in jail on the day of the alleged robbery.

In any event, after viewing the prisoner, Miss Withers was taken to the office of the District Attorney and closely questioned. This questioning might have been described as a grilling. She did not confess and maintained substantially the same story as she had told before. Whether the evidence against her was disclosed is not known. But she was obviously shaken and unnerved.

Up to this point there was no positive evidence linking Henry Buckmer to the crime. He had been in Portland on the day of the alleged

robbery. But as it turned out, no such evidence was needed. Even if he had attempted to shift the blame to the attractive brunette, the effort would not have been successful. Investigation of the bank affairs soon disclosed evidence of shortages running back many months. It became clear that the fake robbery had for its principal purpose the covering up of previous embezzlement rather than immediate theft. A relatively substantial amount of currency and traveler's checks were taken, but it was much less than the amount claimed.[5] Mr. Buckmer could not have persuaded authorities of his innocence in the light of these disclosures. Moreover, it is improbable that Miss Withers would have remained silent if an attempt had been made to shift the entire responsibility to her. In spite of 13 years difference in age, and in spite of the fact that Buckmer had a wife and family, he was infatuated with the young woman. Even if it had appeared that he might succeed in shifting the blame, it is unlikely that he would have attempted to do so.

In any event, further proof of joint complicity in the crime was furnished by the desperate and incriminating behavior of Buckmer and Miss Withers. The grilling by the District Attorney apparently threw the pair into a panic. They had expected merely to look at a suspect and then go back to Florence on the midnight train. It later developed that they had not even brought any of the stolen currency or traveler's checks with them. The *Eugene Guard* reported that after the questioning the two were heard in low but earnest conversation at the hotel and were later seen walking in the outskirts of the city. It must have seemed clear to the guilty couple that the "fat was in the fire" and so they decided to run for it, even though they had little money and had made no preparations for flight.

Buckmer cashed a check for $300 at the Osburn Hotel, telling J. A. McLean, the manager, that they planned to return to Florence. He also borrowed a Studebaker "Big Six" touring car from Charles Farris, a local lumber dealer. Mr. Farris was told that Buckmer had to go to Portland in connection with the bank's affairs and would return the following night and that Miss Withers would return to Florence on the late train. Mr. Farris also cashed a check for Buckmer in the amount of $250. It is not now known if either check was drawn on the Florence bank.

The next day (Tuesday), Buckmer failed to keep an appointment with

[5] News accounts do not indicate the actual amount of money in the bank at the time of the alleged robbery. However, it was charged that the bank's reserves were below the legal minimum on January 27, the day of the purported robbery. The minimum legal reserves would have been in the neighborhood of $10,000, but this would have included balances in correspondent banks.

a Eugene attorney and the manager of the hotel reported that their baggage had disappeared and their beds had not been occupied. Telephone calls to Florence revealed that neither had returned on the early morning train. It was evident the pair had fled.

In Florence, the bank was turned over to the Oregon State Banking Department for liquidation by Jay Buckmer, vice-president of the bank and a brother of the fugitive. It was also announced that the Buckmer family would make good any losses to depositors. Whether payments were made under this guarantee is not a matter of record. The liquidation of the bank was completed in October 1930, and savings depositors received 84 per cent of their claims in several installments. Commercial depositors received a total of 88 per cent of their claims. Considering the times, this was a fairly rapid liquidation and high payout. It might indicate that some funds were realized from the Buckmer assets.

Despite the efforts of the Burns Agency and police, the pair were not quickly apprehended. They did, however, leave a well-defined trail and Burns operatives were close behind. It was reported later that letters had been received from Buckmer or Miss Withers and turned over to authorities. Details, however, were lacking.

An unexpected development was the return of a substantial sum of money and traveler's checks. According to the reports, Mrs. Henry Buckmer had received a telephone call from her husband, who told her where the money and traveler's checks were buried and proposed that she keep the money but send the traveler's checks to him.[6] But Mrs. Buckmer would have none of it. She promptly called Jay Buckmer and together they dug up the money and checks and gave them to the State Banking Department representative at the bank. The funds were returned on February 3 and included $1,120 in gold coin, $2,206 in currency and $5,250 in traveler's checks. This was much less than the amount reported as stolen, but it was generally believed to be the entire proceeds of the robbery.[7] Mrs. Buckmer refused to disclose to the press where the call came from, although undoubtedly this information was given the authorities.

A puzzling development was the receipt of a telegram by Sheriff Tay-

[6] There were, however, conflicting reports as to how this information came to Mrs. Buckmer. According to one account, the information was contained in a letter from her husband; in another account the information was given by Buckmer to someone in Eugene who relayed it to Mrs. Buckmer.

[7] Later an additional $500 was discovered by Mrs. Buckmer and Jay Buckmer and turned over to the liquidating agent for the bank. It was said that the money turned over to the liquidating agent appeared to have been buried in sand.

lor ostensibly from the sheriff of Graham County, Arizona at Safford, Arizona. Safford is a small town in the extreme southeastern part of Arizona, near the Mexican border, and was on a branch line railroad running into Mexico. The telegram reported Buckmer and Miss Withers were in custody and asked Sheriff Taylor to send telegraphic copies of the warrants. The warrants were immediately wired and preparations were made to return the fugitives from Arizona. But here the matter seemed to end. When further inquiries were made the sheriff at Safford disclaimed any knowledge of the whereabouts of Buckmer and the girl. This must have been confusing and frustrating to Lane County authorities.

While there was no public explanation of how this telegram from Arizona came to be sent, subsequent events make it possible to reconstruct what must have happened. Burns operatives had determined that the couple had driven straight through to Fresno, California, arriving there at 10 o'clock the following night. This was hard driving in 1927. In Fresno, the car was left in a garage and the couple continued south by train. Evidently Burns operatives were able to determine that their destination was Safford, Arizona. In Safford the pair narrowly escaped capture. The purported telegram from the sheriff at Safford was apparently sent in connection with this incident. But no present evidence is available as to who sent the telegram.

What Buckmer and Miss Withers intended to do in this small cow town in southeastern Arizona is far from clear. Surely they did not consider this to be a good place to hide out. They would certainly not have been inconspicuous in this small desert town. Neither Buckmer nor Miss Withers could have hoped to find employment in such a place. Perhaps they hoped that Mrs. Buckmer would forward the traveler's checks to them at Safford and they could then escape into Mexico.

Trailing the fugitives was made easier by the fact that letters were sent by them to persons in Eugene and Florence, and these letters were handed to authorities. Moreover, Buckmer was still hopeful that his wife would send him the traveler's checks as he had requested. Under the name of James Sylvester, he wrote the postmaster in Safford to forward mail to Longview, Texas. The letter was mailed from Marshall, Texas. Another letter was sent to the postmaster at Longview asking that mail be forwarded to Birmingham, Alabama.

Burns operatives then staked out the General Delivery window in the post office in Birmingham. On February 18, Buckmer was arrested when he called at the post office for mail. Miss Withers was taken later at a hotel. The pair had been living under the name of Mr. and Mrs. L. B. Bradley.

In the meantime, Charles Farris made arrangements to go to Fresno to recover his car. It was said that the car was in operating condition, although it showed evidence of hard driving.

Capture was probably not altogether unpleasant. The pair had only $315 in cash when arrested, and must have been concerned with the problem of living after these funds were gone. Employment for either of them would have been difficult unless by some means false references could be obtained. Moreover, by this time they must have given up hope that Mrs. Buckmer would send the traveler's checks. Even if the checks had been sent, it is likely that an attempt to cash any of them would have led to inevitable capture.

The pair waived extradition and were brought back to Eugene by Sheriff and Mrs. Taylor.

In Eugene, the drama approached a conclusion. Both Buckmer and Miss Withers declared themselves "tickled to death to get back" but no further statements were made. Both were greatly interested in Lane County news. Both were lodged in the Lane County jail, although bail was later arranged for Miss Withers.

The "Kangaroo Court" of prisoners in the Lane County jail gave Buckmer his first "hearing." He was charged with "breaking into jail" and duly convicted by this extra-legal body! A fine of $4.00 was imposed, $2.00 for Buckmer and $2.00 for Miss Withers.

Mrs. Buckmer visited her husband in the jail: the greeting was friendly and there was no indication of loss of affection. While she was there she met Miss Withers. The two women gave no indication of enmity and conversed in a friendly manner.

The trial in the courtroom of Judge G. F. Skipworth was high drama. Every seat in the courtroom was filled and there were crowds in the corridors. Both defendants pleaded guilty. Buckmer attempted to absolve Miss Withers by assuming sole responsibility, although the attempt was not successful. Miss Withers first entered a plea of "not guilty;" eventually a "guilty" plea was entered.

Interest in the proceedings remained high. The courtroom was filled at every session. Attendance in University of Oregon classes dwindled; the professors could not compete with the drama of the courtroom. Press coverage of the trial was complete and detailed; the exchanges between rival attorneys was faithfully reported. Defense counsel portrayed the attractive brunette as merely an inexperienced young women who had lived her life in the small city of Florence and who had fallen under the spell of an older man. The District Attorney saw her as one who fully understood

the consequences of her action and who cooperated fully in carrying out the crime. She was, he declared, "as cold as ice."

The courtroom audience was predominantly women and their interest seemed to be centered on Miss Withers. Some of the news stories concerned her attire and bore some resemblance to an account of a fashionable wedding. The defendant, according to accounts, wore a bronze-colored velvet blouse and a tan plaid skirt.

Buckmer was sentenced to ten years on the charge of embezzlement and three years on the charge of knowingly making a loan when the bank reserves were below the legal minimum. This amounted to a sentence of thirteen years, since the terms ran consecutively rather than concurrently. Miss Withers was sentenced to six years. Buckmer began his sentence on March 14 and Miss Withers on March 18.

Without doubt, both Buckmer and Miss Withers during the years in the penitentiary at Salem reflected on the swift-moving events of the robbery and flight. It is interesting to speculate whether they ever considered that perhaps the outcome might have been different if Miss Withers had made a more convincing case of the "escape" from the vault; if she, for example, had broken or scratched the varnish on that small bolt from the vault combination mechanism. It is quite unlikely, however, that the crime would have gone undetected if there had not been this small oversight. It just happened that this small bolt was the key that quickly demonstrated the falsity of the robbery claim; if it had not been the varnished bolt, it would have been something else. For example, an attempt to cash the traveler's checks would have led to inevitable detection. Even without the incident of the varnished bolt, this would not have been the perfect crime.

It is clear that neither Buckmer nor Miss Withers were confirmed criminals. The whole affair was a product of the personal relationship between them and reverses in the outside business activities of Buckmer. These pressures created a situation in which the purported robbery seemed to be an easy way out.

Both were exemplary prisoners and earned good behavior credits. It is said that during his term Buckmer completed a successful reorganization of the bookkeeping system of the penitentiary.[8] Upon their release, Buckmer and Miss Withers were married and moved to a distant state where they conducted a successful business until his death.

[8] Harold L. Edmunds, "Banks of Lane County," *Lane County Historian*, Mar. 1961.

THE BANKER WHO STOLE FROM HIMSELF

the bank officer, owner, and heir who purloined the funds of his own bank

Bank embezzlers are usually thought of as employees with a taste for high living, who steal in order to gamble, or speculate in stocks or real estate, or in various ways to live beyond their means. But sometimes an embezzler is found to be a very kindly person who simply could not resist the urge to assist friends lavishly, and to make large gifts to worthy causes, and who embezzles in order to do these things. Sometimes it is said that the most frequent causes of embezzlement are slow horses and fast women. This is oversimplification, but it probably expresses the popular view.

Certainly the embezzler is normally an employee, as distinguished from an owner. A sole owner would have no incentive to steal from himself, unless the enterprise were approaching bankruptcy and he wished to conceal assets from creditors. A part owner, of course, might gain more as an embezzler than he would lose as an owner; provided, of course, that the theft were not discovered. On the whole, owners are not embezzlers.

But only a few years ago an embezzlement by the principal owner of the First National Bank of Halfway, in eastern Baker County, not only shocked the community, but caused the bank to close its doors. The cashier who admitted to the embezzlement of $99,072 lacked only one share of owning half the stock of the bank. The embezzler and his aged father together owned three-quarters of the stock. The embezzler had been employed in the bank for 34 years, though he had been the principal stockholder for only three years. In this case, however, high living and expensive tastes were not involved as causal factors. In this small town of 400 persons, high living would have been conspicuous and would have led to early discovery. The cashier embezzler, Claire Ritter, was known as a conservative and frugal man who was opposed to gambling in any form.

The town of Halfway lies in the center of Pine Valley, sheltered by the Wallowa Mountains on the north. Below is the First National Bank of Halfway.

Sometimes it is said that the most frequent causes of embezzlement are slow horses and fast women.

The small town of Halfway is located east of Baker in Pine Valley, high above the western breaks of the mighty Snake River Canyon, and near the foot of the snow-covered Southern Wallowas. Until fairly recently, it was difficult of access, especially in winter; it was one of the places that sometimes are referred to as "the last frontier." Only a single poor road connected the little village to the county seat of Baker, and this road had its dead end not far from Halfway, at the once rich gold camp of Cornucopia, well up the southern slope of the Wallowas. But the beginning of construction of the Idaho Power Company dams at Brownlee and Oxbow on the Snake River near Halfway brought road improvements and gave some impetus to the economy of Pine Valley. It is primarily ranch country, although there is some dairying and timber.

The First National Bank of Halfway was regarded in Baker County as one of the strongest in the state. The bank easily withstood the depression of the 1930s, and many residents of Baker were depositors; this confidence was not misplaced. It was, in fact, a strong bank as evidenced by the rapid payout of deposits, even those above the F.D.I.C. insurance limit of $10,000. Moreover, the proceeds of liquidation were sufficient for a substantial return to stockholders, and the liquidation period was unusually short. The bank building and fixtures were carried at a nominal amount; cash and United States government obligations made up 82 per cent of deposits. Without doubt, the bank could have been reorganized, had it not been for the advanced age of the principals. The chairman of the board and owner of about a quarter of the stock was James Ritter, who was 87; he was also father of the embezzler. Mr. Walter W. Evans, a former owner of half the stock and president of the bank, was 77. He had been engaged in banking for more than half a century and had been in a Portland hospital for two months prior to the closing. Neither had any desire to continue in the banking business.

The strength of the bank is indicated by the balance sheet shown below which was prepared by F.D.I.C. agents after the closure.[1] It should be

[1] From the Annual Report of the F. D. I. C., 1958.

noted that this balance sheet properly reflects the shortage account as an asset, representing the amount due from the embezzler, or from his bonding company. As a matter of fact, property turned over by Clair Ritter, after the discovery of the embezzlement, realized a sum that was approximately sufficient to meet the shortage. It should also be noted that the deposits shown have been adjusted to reflect deposits not shown on the books. It seems apparent that the defalcation was accomplished by accepting deposits, but not recording these deposits on the bank's books. These stolen deposits could hardly have represented active checking accounts. Fictitious withdrawals may have been recorded in inactive accounts, or time certificates of deposit may have been issued by the embezzler without recording the deposit on the bank's books.

First National Bank of Halfway Financial Statement,
March 18, 1958 After Adjustment by F.D.I.C. Agents

*Assets**		
Cash due from banks		$ 790,026
U.S. Gov't obligations		337,000
Other securities		41,500
Loans, discounts, & overdrafts		175,680
Banking house, furniture & fixtures		1,400
Other Real Estate		----
Other assets		99,920†
	Total	$1,445,526
*Liabilities & Capital Accounts**		
Deposits		$1,368,432
Other liabilities‡		552
Capital stock		25,000
Other Capital accounts		51,542
	Total	$1,445,526

* As determined by F.D.I.C. agents after adjustment of books of bank for liabilities or overdrafts discovered subsequent to closing.

† Includes shortage account of $99,073, reflecting adjustment for deposit liabilities not shown on the books of the bank prior to closing.

‡ To December 31, 1958, plus estimated additional disbursements.

On Wednesday, March 12, 1958, an examiner for the F.D.I.C. made a surprise visit to the First National Bank at Halfway. It may be surmised that this was not a routine examination, but that the examining agency had some intimation that the bank's books were not in order. It may

be that this intimation of trouble was based on previous examination reports, or it is possible that the F.D.I.C. had received a tip that indicated fraud. It is more likely the latter, since a defalcation based on unrecorded liabilities is difficult to detect just by examination of the books. This type of fraud requires either collusion with creditors, which is most unlikely, or constant attendance at the counter by the embezzler. Such defalcations are discovered by inevitable accidents; in the absence of the embezzler a depositor requests payment of an account that does not appear on the bank's records.

The examiner, Thomas Allen, worked for several days to establish the approximate amount of the embezzlement. During this time, the bank was operated by the 52-year-old Clair Ritter. He was nominally the cashier, but had actually been the active manager of the bank for some time as president Walter W. Evans retired gradually from active banking. It is interesting to speculate about the relations between the examiner and Mr. Ritter during this time. Did Mr. Ritter know that he was under suspicion during this three- or four-day period? If he was not advised of the discovery of embezzlement by the examiner, he must almost certainly have suspected that something other than a routine examination was underway. What did the two men talk about? It must have been a period of strain for both.

By Saturday, March 15, the examiner had established the approximate amount of the shortage, and asked Mr. Ritter to call one of the local directors to the bank for a conference. Ritter called Mr. Cooper, a director and operator of a stage line and garage, and introduced him to the examiner. Cooper was then told of the embezzlement. He then turned to the cashier and asked him what had happened to the money. Ritter did not answer.

Cooper and another local director immediately got in touch with the 77-year-old president Evans, ill in a Portland hospital. Evans came to Baker immediately and was met by the local directors, who gave him the details. Mr. Evans had begun his banking career in the Citizens National Bank of Baker in 1906, and became cashier of the First National Bank of Halfway in 1924. Here he was associated with Mr. James Ritter, father of the embezzler, who until 1951 was president of the bank. Mr. Evans was widely known and esteemed not only in Baker County, but throughout the state. He was active in many civic enterprises and until his illness was well-known and active in the affairs of the Oregon Bankers Association.[2]

[2] The American State Bank of Halfway had been established by Ed Mehlhorn in

The news was a blow to Mr. Evans. He was understandably proud and its record during the depression years, and he had had the utmost confidence in Clair Ritter who had been employed in the bank with Mr. Evans since 1924. As he expressed it, "I've known him a long time and never questioned him a holy minute. I would have trusted him with my life. I have loaned him money just on his signature."

Mr. Evans was not, however, a large stockholder in the bank. Until 1955, he owned slightly more than half of the 250 shares outstanding. Ironically, he sold 124 shares of the stock to Clair Ritter at that time for $300 a share, or a total consideration of $37,200, which was paid in cash. Evans owned only five shares when the bank closed.

The directors met on Monday morning before the bank was scheduled to open, and quickly voted to turn the bank over to the Controller of the Currency for liquidation. It has been mentioned that it is most probable that the bank could have been reorganized except for the advanced age of the principals. True, the defalcation was greater than the combined capital and surplus of the bank. But the resources of the embezzler seemed to be reasonably adequate to cover the shortage, although these assets were, of course, not liquid. These assets included his bank stock for which he had paid more than $37,000 in 1955, two stock ranches, four residential properties, and the Paddock Motel in Halfway. But the directors were confident that depositors would receive a quick payout. The F.D.I.C. would pay accounts under $10,000 almost immediately; even depositors with larger balances would not have to wait long for payment since the bank's assets were so highly liquid, and conservatively stated. Since there seemed to be no probability of loss to depositors, the directors felt no compulsion to attempt to continue operations.

Clair Ritter made no attempt to flee over the weekend, although he must have known that the shortage had been discovered, and that he was under suspicion. On Monday a United States Commissioner's warrant for his arrest was issued, and he was taken to the county jail in Baker. On this same day, he signed over to the First National Bank of Halfway substantially all of his property. In addition to the stock in the bank, this included eight parcels of real estate. While in the county jail, he made no statement and permitted no photographs. Those in charge said he seemed anxious to get his hearing quickly. On Wednesday, he was taken to Portland by a United States deputy marshall. Here he was given a preliminary hearing and released on $10,000 bail furnished by an unidentified resident

1910. In 1924 this bank was reorganized with a national charter, under the name of the First National Bank of Halfway.

of Halfway. He later pleaded guilty, and was given a sentence of two and one-half years in a federal penitentiary.

The reaction of the community to the closure of the bank was remarkably calm. There was no panic. There was, of course, some inconvenience. All of the funds of the Halfway schools were on deposit in the bank and the school district had to resort to warrants to meet a payroll. Merchants' funds deposited in the bank were unavailable, and many of the merchants had to ask for extensions from creditors. They also faced the problem of financing old customers who were temporarily out of money, but needed essential supplies. Holders of outstanding checks were advised to return these checks to makers or endorsers. Many residents of Halfway opened accounts in Baker banks and arranged for credit.

There was general incredulity that a man so widely known and respected could be guilty of embezzlement. There was also deep sympathy for president Evans, for whom the bank closing meant the end of a long and distinguished career in banking.

The liquidation of the bank was unusually rapid. Within a week or two, the F.D.I.C. paid all deposits of $10,000 and under. The problem of liquidation was made easier by the fact that more than 80 per cent of the assets were in cash and government bonds. After failure of an effort to organize an entirely new bank, the United States National Bank of Portland purchased certain assets of the bank, including the bank premises, and established a branch in Halfway. By August, the large depositors had been paid 90 per cent of their deposits over $10,000, and this was before the partial sale of assets to the United States National Bank. In April 1959, having paid the full amount of their claims, the F.D.I.C. turned over all remaining cash and other assets to a liquidating agent for the stockholders. By January 1960 all these assets had been converted to cash, except for eight promissory notes with a total principal balance of $907. Three of the makers of the notes were paying slowly, one was bankrupt, and the other four could not be located. With the approval of the court, these notes were sold to James Ritter, a brother of the embezzler. A final liquidating payment was then made to stockholders, and this was within a period of less than two years. The final loss in liquidation of the loans, discounts, and overdrafts proved to be less than one-half of one per cent.

But exactly what happened to the money was not revealed. Ritter was quoted as saying only that he "spent it." It was quite clearly not spent in riotous living, nor in "conspicuous consumption." A likely possibility is that the funds obtained from the embezzlement were used in the acquisi-

tion of the bank stock and real estate holdings. But this is only conjecture since so many possibilities exist. There was some intimation that the thefts had occurred over as long a period as thirty years. This is possible, but seems unlikely. If so, Ritter must have been in constant fear of discovery during this time. Perhaps the discovery of the embezzlement came as a welcome end to a thirty-year nightmare.[3]

[3] Information for this episode came from: the *Oregonian*, Mar. 18, 19, 27, 1958, Jan. 28, 1960; the *Baker Record Courier*, Mar. 20, 27, May 1, June 12, 19, July 3, Aug. 14, 1958; the 1958 *Annual Report* of the Federal Deposit Insurance Corporation and the 1958 *Annual Report* of the Controller of the Currency.

The Apr. 1960 issue of *U. S. Banknotes*, a publication of the U. S. National Bank of Portland, contained information about Halfway and Pine Valley.

Main street of the small mining town of Cornucopia, Baker County, 1916. It lies in the southern foothills of the Wallowas